



MODIFIED SCOPE PLAN

FORT BELVOIR

May 21, 2009

FINAL



MODIFIED SCOPE PLAN

May 2009

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EXECUTIVE OVERVIEW

INTRODUCTION

The Fort Belvoir Residential Communities Initiative (RCI) project commenced on 1 December 2003 in a partnership between the U.S. Army and Clark Pinnacle Family Communities LLC known as Fort Belvoir Residential Communities LLC. Clark Pinnacle Family Communities LLC is a joint venture between Clark Realty Capital of Arlington, VA and American Management Services East LLC (dba Pinnacle).

Fort Belvoir is located along the Potomac River on 8,656 acres of land in northern Virginia. It is approximately 18 miles from the Pentagon. The southern portion of the post is bounded on the east, south and west by the Potomac River. Fort Belvoir is home to several major Army command headquarters and elements of others: 19 different agencies of the Department of Army, eight elements of the U.S. Army Reserve and the Army National Guard; and 26 Department of Defense (DoD) agencies. Also located here are a Marine Corps detachment, a U.S. Air Force activity, and an agency from the Department of the Treasury.

The Community Development and Management Plan (CDMP) (approved on 1 December 2003) envisioned 1,630 new homes, 170 historic renovations, and 270 "no touch" homes to comprise 2,070 homes (total number of existing homes prior to RCI). The "no touch" homes are part of Dogue Creek Village which was renovated by the Army prior to RCI.

PURPOSE

The Purpose of this document is to describe the Modified Scope Plan (MSP) for the Fort Belvoir Residential Communities Initiative (RCI) project. The document attempts to follow the outline provided by the RCI Portfolio and Asset Management (PAM) Handbook Version 3.0, 8 June 2007 for Modified Scope Plans. This MSP is also consistent with the Major Decision Concept Paper delivered to the Office of the Assistant Chief of Staff for Installation Management – Installation Services dated 11 March 2009. The MSP will document:

1. (b) (4)
2. **Increase renovations:** increase the number of homes to be renovated from 170 to 694 by renovating all homes in Woodlawn Village and River Village; decrease the number of new homes from 1,630 to 1,190;
3. **Modify amenity plan:** eliminate the planned recreation and fitness center in the CDMP and replace it with an outdoor pool; and adjust the overall amenity plan;
4. **Defer historic village garages:** deferral of constructing garages in Belvoir Village to the Out Year development period;
5. **Use 2007 Housing Market Analysis as a guideline:** utilize the updated 2007 Housing Market Analysis (HMA) as a guideline for the end-state unit count and the potential change in demographics; enlisted families will remain the priority; this item has been clarified to reflect the direction agreed upon by the Garrison Commander and Partner.

The MSP will also approve the concept of the following two items which will be formalized separately due to additional real estate and environmental actions required. The MSP does not obligate the Installation to convey any or all additional land parcels in this document. Upon Installation approval, a separate Major Decision will address any actions that involve land conveyance outlined in Item 2 below.

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1. **Add Snow Loop to Ground Lease:** inclusion of Parcel K (Snow Loop) in the long term Ground Lease for an amenity area;
2. **Add replacement land for out-year development:** add parcels in "Town Center," Lewis West, Post Exchange (PX) Site and/or Tompkins Basin to build new homes during Out Year development period; this action will be addressed via a separate Major Decision and Real Estate Action but is integral to the Out Year Development Plan.

These changes will enable FBRC to complete the Initial Development Period ("IDP") with a repositioned portfolio of homes that best improves the quality of life for service members and their families while staying within the development budget.

BACKGROUND

Construction Cost Escalations

Significant and unexpected construction cost escalations (in excess of 29%¹) during the years 2004 – 2007 created a projected development budget deficit of approximately (b) (4)

(b) (4)

(b) (4)

Guaranteed Investment Contracts

Sources of IDP funds have been (b) (4) due to the reduction in the investment interest rate from approximately 4% to under 0.5%. (b) (4)

¹ RS Means Reports indicate escalation as follows: 2004: 8.44%, 2005: 8.22%, 2006: 12.77%, 2007: -2.33% = 29.14% (includes compounding)

² (b) (4)

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(b) (4)

(b) (4)

Vacancy in Older Homes

Vacancy in un-renovated homes in Woodlawn and River Villages is currently 25%+ (45% in the 200 2-bedroom Woodlawn homes). An economically viable plan to reposition these homes will provide quality of life improvements for all homes in the portfolio and position the project for the Out Years.

THE PLAN & JUSTIFICATION

Summary

The modifications indicated are designed to provide the maximum improvements to the quality of the soldiers' homes and their lifestyle with the funds available.

In total, the MSP changes proposed will improve all existing homes and will result in an estimated (b) (4) at the end of the IDP. The surplus will be used to build new homes and/or renovate homes on the main post in the Out Years once the Army is able to finalize the Master Plan, complete the various environmental studies and modify the Ground Lease accordingly.

(b) (4)

variety of renovation improvements will include interior upgrades (kitchens, bathrooms, carpeting), exterior enhancements (landscaping, fencing as needed) and amenities. Renovating these 524 homes will reduce the current projected CDMP deficit of (b) (4). Replacing the 50,000 SF recreation center with a new neighborhood pool and pushing the addition of garages in the historic villages to the out years (when funds are available) will further help reduce the deficit. (b) (4)

The following outlines the proposed changes to the CDMP scope. Specifically, these changes reflect increasing the number of homes to be renovated, modifying the fitness center and amenity plan, and deferring the construction of garages in historic villages.

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Scope Modifications during IDP

<u>Homes:</u>	<u>Original</u> <u>CDMP</u>	<u>MSP</u>	<u>Difference</u>
New construction (Woodlawn)	1,630	1,190	(440)
Renovations (Woodlawn & River)	170	694	524
"No Touch"	270	270	-
"No Touch" / Out Year Demo	-	(48)	(48)
Total Homes	2,070	2,106	36

<u>Amenities:</u>	<u>Original</u> <u>CDMP</u>	<u>MSP</u>	<u>Difference</u>
Recreation Center	1	-	(1)
Neighborhood Centers	5	5	-
Pool (Woodlawn)	-	1	1
Other Amenities	91	121	30

<u>Historic Village Garages:</u>	<u>Original</u> <u>CDMP</u>	<u>MSP</u>	<u>Difference</u>
IDP (Belvoir)	170	109	(61)
Post IDP (Belvoir)	-	61	61
Total	170	170	-

The economic impact of these changes is as follows:

Economic Impact during IDP

	<u>\$'s millions</u> <u>(b) (4)</u>
Current projected deficit	
Homes:	
Reduced New Construction	
Increase of Renovations	
Amenities:	
Eliminate Recreation Center	
Add Pool	
Snow Loop	
Historic Village Garages	
Defer to Post IDP	
Proposed Project surplus	

(b) (4)

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(b) (4)



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The MSP Christmas Tree Chart is based on the financial projections shown in the revised pro forma (discussed in the Financial Plan section). The MSP Christmas Tree Chart includes an adjustment to the demolition numbers and a new category for the demolition/conversion of the Woodlawn units. Woodlawn (444 existing units) includes 10 units to be demolished, 196 2-bedroom units to be converted to 98 5-bedroom units, and 238 renovated 4-bedroom units. The 48 excess homes are planned to be demolished in Dogue Creek in 2014. If additional land parcels are not conveyed in the future, the Out Year development plan will be adjusted accordingly. See Exhibit 1 for the Closing Christmas Tree Chart.

Increase Renovations

The MSP consists of 694 Major Renovations vs. 170 Major Renovations (all historic) in the CDMP. This plan will enable the project to improve 1,884 total homes vs. 1,800 homes per the CDMP and stay within the development budget. The Major Renovations will be performed in two villages – Woodlawn Village (444 existing homes renovated and converted to 336 homes) and River Village (188 existing homes). Please refer to the Development Plan section for a detailed breakdown of the scope, cost and sketches of the renovation plans.

Modify Amenity Plan

The MSP amenity plan consists of a) eliminating the recreation center and b) changing the quantity and locations of various neighborhood amenities (pools, parks, ball fields, etc). The below revised plan reflects the preferred mix from additional focus group discussions, town hall meetings with families, realistic targets given the land constraints discovered during the IDP. FBRC recommends the same number of Neighborhood Centers which serve as the most valuable community amenity – in terms of use (average of 30 events/center/month); community relationships (social events and property management staff interactions); and operations (Pinnacle management and maintenance staff hub). FBRC has also included other amenities not previously planned in the CDMP (picnic grilling areas, butterfly nature gardens, a new skate park, etc). While there is a reduction in large playing fields (baseball and soccer), these amenities can be utilized on non-FBRC land on the installation. Residents will continue to have access to Morale, Welfare and Recreation (MWR) built and maintained playing fields and fitness facilities, as well as Army and Air Force Exchange Services (AAFES) facilities already existing on the Installation. In summary, the mix of amenities developed in the new urbanism-style villages has been received well by families and achieves the sense of community desired in the CDMP plan. Please refer to the Development Plan section for additional information on the modified amenity plan.

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Amenity Mix Plan

	Original CDMP	MSP	Difference
Baseball Fields	3	-	(3)
Basketball Courts	8	11	3
Dog Parks	2	2	-
Fitness Course	2	1	(1)
Neighborhood Centers	5	5	-
Sand Volleyball	8	5	(3)
Picnic Shelters	15	14	(1)
Recreation Center	1	-	(1)
Outdoor Pool	-	1	1
Skate Park	-	1	1
Soccer Fields	4	2	(2)
Tennis Courts	8	9	1
Horseshoe Pits	-	8	8
Butterfly Garden	-	2	2
Picnic Area	-	14	14
Gazebo	-	6	6
Tot Lots	41	46	5
Total	97	127	30

The above matrix includes the addition of Snow Loop as an amenity park (1 dog park, 1 playground); however Snow Loop will not be incorporated until real estate paperwork is completed.

Defer Historic Village Garages

The MSP defers the construction of new garages in Belvoir Village planned in the CDMP and discussed in the February 2007 Scope Adjustment Letter to an Out Year capital improvement project. The CDMP included new garages for each of the 170 historic renovation homes. FBRC has completed construction on 33 garages to date as part of the historic renovations of homes in Park and Jadwin Loop Villages. FBRC has designed and budgeted construction for 76 garages for Gerber Village (this phase is underway, and FBRC feels garages are essential to reposition the village). The deferral of the Belvoir Village garages to an Out Year phase will enable approximately (b) (4) of the development budget to be redirected to the repositioning of existing neighborhoods and homes.

Belvoir Village has consistently received above average resident satisfaction. The feedback on converting the former attached garages to kitchens and additional living space has been very positive (54 of 61 completed to date). In response to early feedback on storage concerns, new storage sheds were installed for all homes in Belvoir Village. There has been no further feedback pushing for new garages. The partnership feels the funds for garages would be better spent on more new homes or renovated homes in the Out Years. The demand for these unique historic homes has consistently exceeded the availability of homes. It is also worth noting the negative impacts to the historical aesthetics (removal of large, mature trees and construction impacts) are anticipated to be more damaging to resident satisfaction than not having the garages. When garages are needed due to resident demand and/or marketability of the homes, the partnership will budget accordingly in the Out Years.

In summary, from a marketing perspective, new garages would be nice but are not “must-haves” for this senior officer neighborhood that has the largest homes on Belvoir and has had a wait list for 06+ housing since Closing in 2003.

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Use 2007 HMA as a Guideline

The Army issued the 2007 HMA on 27 June 2008 which analyzed the post-BRAC requirement housing needs for Fort Belvoir in 2012 which reflects an increase in the unit count requirement from 2,070 homes to 2,106 homes. The HMA also anticipates a 27% increase in officer housing (completion of the Belvoir IDP is at the end of 2011). The HMA will be used as a guideline only. FBRC will continue to provide priority to enlisted families. The partnership anticipates an increase in demand for the enlisted housing neighborhoods of Woodlawn and River Villages (both currently 25%+ vacant) as renovations are completed. Assuming this holds true, then the current Short Term plan and unit mix will remain appropriate. However if demand does shift over time per the 2007 HMA guidelines, the partnership will assess and make rank designation changes as needed to ensure the demand for enlisted and officer homes is being met. The partnership will assess housing demand every six (6) months, or as needed.

HMA Allocation Changes - 2001 v. 2007

	HMA		
	<u>2001</u>	<u>2007</u>	<u>Difference</u>
Officer	16%	43%	27%
Enlisted	<u>84%</u>	<u>57%</u>	-27%
Total	100%	100%	

While the change in the total unit count was not material (an additional 36 homes), the change in the unit mix of officer to enlisted homes was significant. The 2007 HMA calls for a 27% increase in officer housing. The CDMP plan targeted 16% officer homes (including warrant officers) and 84% enlisted homes. By having the flexibility to adjust to the 2007 HMA, FBRC will better be able to serve the housing demand for enlisted and officer families. This change would also result in higher Net Operating Income (NOI) to service debt and reinvestment accounts, and be better positioned to improve the property in the out years due to additional cash flow.

	<u>Unit Mix</u>
	<u>Short Term Plan</u>
Officer	20%
Enlisted	<u>80%</u>
Total	100%

The MSP includes the revised unit mix plan (Short Term) based on the current demographics, designations by housing area and change in development plans since the CDMP. This remains the unit mix plan until such time demand changes. If the 2007 HMA were fully implemented in the Out Years, a Long Term plan is shown as to what the unit mix would be. Any material change to the Short Term plan would only be implemented after assessment by the partnership.

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(b) (4)



Please refer to the Development Plan section for further detail on the rank designations by neighborhood for the Short Term and Long Term plans (if need to achieve the 2007 HMA unit mix).

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MSP CONCEPTS INCLUDED

Add Snow Loop to Ground Lease

Snow Loop (Parcel K) is included in the MSP as an amenity park to compliment new and existing neighborhoods on Main Post. This concept received partnership concurrence on 8 January 2009 (Major Decision Concept Paper). Per the recent OASA I&E memo (dated 23 February 2009), this issue was requested to be included as part of a comprehensive scope adjustment plan. The land parcel (Parcel K) was already in the FBRC Ground Lease since it originally had several homes on it. However the parcel technically conveys back to the Army upon demolition of the original houses or at the end of the IDP. The MSP includes adding Parcel K to the long term Ground Lease. Upon completion of the real estate paperwork (Ground Lease amendment), FBRC will design and construct a dog park, playground and amenity area. As part the FBRC Ground Lease, the area would be maintained by FBRC. Please refer to the Development Section for additional detail and drawings.

Replacement Parcels & Out Year Plan

The MSP includes the concept of conveying additional parcels to the Ground Lease to facilitate the development of new homes in the Out Years. The MSP does not obligate the Installation to convey any of these parcels. However a holistic, long term view of how the RCI project transitions into Out Year phases is a critical component of plan. Any future land conveyance will require concurrence from the Partnership at the Installation level, additional environmental documentation and real estate action paperwork. Consent by the Bondholder Representative is required as well. While the replacement parcel concept is supported by the Partnership, additional work must be completed at the Installation level to facilitate this future Major Decision. Below is a brief summary of the potential parcels.

Town Center (12th Street “mirror image”): 30 homes
Lewis West: 50 homes
Tompkins Basin: 80 homes
PX Site: 100 homes

Each site has its pro’s and con’s, and FBRC is eager to work with the GC and DPW to select the best site(s) that meet the vision for the Installation, the Belvoir Master Plan and provide the swing space to continue to reposition the portfolio into the Out Years. The Christmas Tree Chart shows how the new parcels are an important element for Out Year swing space and are phases that may commence as early as 2012 (pending future Major Decision approval). Please refer to the Development Plan section for additional detailed information on the additional land parcels.

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DEVELOPMENT PLAN*1. Development Overview*

The Fort Belvoir closing development plan consisted of the following scope: construction of 1,630 new homes; renovation of 170 historic homes; and 270 "no touch units" (units there were recently renovated by the Army and required no work). The total ending inventory of 2,070 homes was less than the 3,124 homes outlined in the 2001 Housing Market Analysis (2006 end-state requirement per April 2002 HMA); however the 2,070 homes at closing reflected the number of existing homes on Fort Belvoir and corresponded to the environmental assessment and approval process required.

This MSP outlines a plan to meet the 2007 HMA which has a requirement of 2,106 homes. FBRC will renovate, in lieu of new construction, 524 homes (including an additional 84 renovations). FBRC will demolish 48 of the "no touch" homes (Dogue Creek Village) in the first phase of Out Year development (demolition preliminarily anticipated in 2014) to ensure the end-state unit count of 2,106 is achieved.

Scope Modifications during IDP

<u>Homes:</u>	<u>Original</u>		
	<u>CDMP</u>	<u>MSP</u>	<u>Difference</u>
New construction (Woodlawn)	1,630	1,190	(440)
Renovations (Woodlawn & River)	170	694	524
"No Touch"	270	270	-
"No Touch" / Out Year Demo	-	(48)	(48)
Total Homes	2,070	2,106	36

<u>Amenities:</u>	<u>Original</u>		
	<u>CDMP</u>	<u>MSP</u>	<u>Difference</u>
Recreation Center	1	-	(1)
Neighborhood Centers	5	5	-
Pool (Woodlawn)	-	1	1
Other Amenities	91	121	30

<u>Historic Village Garages:</u>	<u>Original</u>		
	<u>CDMP</u>	<u>MSP</u>	<u>Difference</u>
IDP (Belvoir)	170	109	(61)
Post IDP (Belvoir)	-	61	61
Total	170	170	-

The above chart also reflects amenity plan changes which eliminates the recreation center, adds an outdoor pool at the Woodlawn Neighborhood Center and adjusts the final amenity mix (tot lots, basketball courts, etc.). The MSP also defers the construction of new historic garages in Belvoir Village to an Out Year project.

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The MSP outlines the guidelines 2007 HMA which provide the potential post-BRAC requirement housing needs for Fort Belvoir in 2012+. The HMA increases the unit requirement from 2,070 homes (CDMP plan) to 2,106 homes (MSP plan) and suggests the rank designation breakdown. There is a 27% increase in officer housing required in 2012 (completion of the Belvoir IDP is at the end of 2011). The HMA will be used as a guideline only. FBRC will continue to provide priority to enlisted families. However if demand does shift over time as anticipated in the 2007 HMA, the partnership will assess and make rank designation changes as needed to ensure the demand for enlisted and officer homes is being met. The partnership will assess housing demand every six (6) months, or as needed. [High vacancy in a newly redeveloped enlisted village would reflect insufficient demand for enlisted housing.] The Short Term plan reflected below is the current project unit mix at the end of the IDP based on the rank designations by housing area as of May 2009.

HMA Allocation Changes - 2001 v. 2007

	HMA		<u>Difference</u>
	<u>2001</u>	<u>2007</u>	
Officer	16%	43%	27%
Enlisted	<u>84%</u>	<u>57%</u>	-27%
Total	100%	100%	

Unit Mix Current Plan

	<u>Unit Mix</u>
	<u>Short Term Plan</u>
Officer	20%
Enlisted	<u>80%</u>
Total	100%

Construction Timing and Implementation

The overall MSP construction timeline will be consistent to achieve substantial completion on or before 30 November 2011 (an eight-year IDP). Consistent with the original treatment of the renovation scope, the renovations associated with the MSP will be handled as an Owner allowance.

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2. *Master Planning*

The end-state family housing at Fort Belvoir will consist of a mixture of new houses, renovated houses, and historic houses. The following maps highlight each of Fort Belvoir's neighborhoods.

North Post Map



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South Post Map



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The aerial plan with colored neighborhoods graphically displays which areas include New Construction, Renovation, Historic Renovation or No Touch homes. The MSP will reposition all housing areas planned in the CDMP.

Housing Market Analysis

The Army issued the 2007 Housing Market Analysis (HMA) in June 2008. The new HMA indicates a change to both the end-state number of houses as well as the required rank-mix. This requirement increases the unit requirement from 2,070 homes (CDMP plan) to 2,106 homes (MSP plan) and adjusts the rank designation breakdown. There is a 27% increase in officer housing required in 2012.

Below is a detailed breakdown of the CDMP, 2007 HMA and MSP by rank-mix.

(b) (4)



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The Short Term plan reflects the planned breakdown by rank by village based on the redevelopment plan underway and included in the MSP. FBRC will continue to provide priority to enlisted families. However if demand does shift over time as anticipated in the 2007 HMA, the partnership will assess and make rank designation changes as needed to ensure the demand for enlisted and officer homes is being met. The partnership will assess housing demand every six (6) months, or as needed. [High vacancy in a newly redeveloped enlisted village would reflect insufficient demand for enlisted housing. Similarly, consistently long wait lists for officer housing would reflect increased demand for more officer housing.]

The property manager will continue to manage the housing assignment process. The property manager produces a weekly inventory report which reflects available housing and current occupancy (this report is rolled up in the Monthly Dashboard transmitted to DA). If trends in the report reflect a material increase in enlisted home vacancy, the partnership will discuss potential options to address the change in demand.

The potential Long Term MSP unit mix plan (if demand warranted the changes) reflects retaining the majority of new homes built for E1-E5 families (Herryford, Lewis, George Washington, Vernondale). Of the 639 E1-E5 homes, 441 (69%) would be new homes built in the IDP. The remaining 196 homes will be major renovations in Woodlawn Village which will alleviate the existing demand for larger homes (the only enlisted wait list in the past 5 years has been for 5-bedroom homes).

If the 2007 HMA guidelines were to be implemented, the unit mix adjustments would occur over time into the Out Years. A challenge in adjusting current existing enlisted villages (e.g. Dogue Creek Village) to officers is the size of the homes relative to the new officer homes built to date (Rossell, Fairfax, Cedar Grove). If additional land parcels are conveyed into the Ground Lease, FBRC would be able to design and plan the parcels for the appropriate needs (officer homes if needed per the 2007 HMA). Redevelopment of Dogue Creek and River Villages will also enable the smaller, existing homes to be replaced in the Out Years with larger homes with 2-car garages. These homes will be comparable to other new homes on the Installation and position the portfolio for higher occupancy in the Out Years.

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3. *Initial Development Plan*

Below is a summary of each neighborhood outlining the Closing Scope and Modified Scope. Detailed scope and drawings for the Woodlawn and River Village renovations can be found in the Construction Plan section.

Herryford Village:

Closing Scope: Herryford Village is a green field development which was part of “New South Post Village” in the CDMP. FBRC has completed 171 new homes and the first ever “town center” on a DoD installation. The architectural style is Colonial architecture with New Urbanism planning principles. All homes have a 2-car garage. The town center consists of 13,600 SF of retail space subleased to AAFES. Current tenants include Starbucks, Class Six Shopette, Dry Cleaners, Day Spa, Kid’s Salon, Cigar Shop, and a Frame and Art Store. The town center also includes the 5,000 SF Welcome Center which serves as the property manager’s leasing office, back office support and the Housing Support Office for the Residential Communities Liaison Office (3 members of the Belvoir RCI team).

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Vernondale Village:

Closing Scope: Vernondale Village is a green field development which was part of “New South Post Village” in the CDMP. FBRC has completed 162 new homes and the first of five planned Neighborhood Centers. The architectural style is Colonial architecture with New Urbanism planning principles. All homes have a 2-car garage. The Vernondale Neighborhood Center is a 4,200 SF facility that includes a great room and kitchen for families to reserve, a conference room, 3 offices for Pinnacle community management staff and maintenance space for staff and storage to support work orders of approximately 400 homes.

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Cedar Grove Village:

Closing Scope: Cedar Grove Village is a green field development which was part of “New South Post Village” in the CDMP. FBRC has completed 82 new homes with 2-car garages. The architectural style is Colonial architecture with New Urbanism planning principles.

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Lewis Village:

Closing Scope: Lewis Village is a redevelopment neighborhood which originally contained 428 units. FBRC demolished the existing homes and replaced them with 274 new homes with 2-car garages. The architectural style is Colonial architecture with New Urbanism planning principles. The second of five Neighborhood Centers was completed as well. The Lewis Neighborhood Center is a 4,200 SF facility that includes a great room and kitchen for families to reserve, a conference room, 3 offices for Pinnacle community management staff and maintenance space for staff and storage to support work orders of approximately 400 homes.

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Modified Scope: No changes are contemplated. The Closing Scope has been completed.

George Washington Village:

Closing Scope: George Washington Village is a redevelopment neighborhood which originally contained 244 units. FBRC demolished the existing homes and replaced them with 196 new homes with 2-car garages. The architectural style is Colonial architecture with New Urbanism planning principles. The third of five Neighborhood Centers was completed as well. The George Washington Neighborhood Center is a 4,200 SF facility that includes a great room and kitchen for families to reserve, a conference room, 3 offices for Pinnacle community management staff and maintenance space for staff and storage to support work orders of approximately 400 homes.

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Rossell Village:

Closing Scope: Rossell Village is a historic redevelopment neighborhood which originally contained 60 historic units. FBRC demolished the existing homes per SHPO approval and replaced them with 70 new homes with 2-car garages. The architectural style is Colonial architecture with New Urbanism planning principles.

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Park Village:

Closing Scope: Park Village is a historic redevelopment neighborhood which originally contained 14 historic units. FBRC retained and renovated 2 of the historic homes. FBRC demolished the other 12 existing homes per SHPO approval and replaced them with 22 new homes with 2-car garages. The architectural style is Craftsmen-style architecture with New Urbanism planning principles.

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Colyer Village:

Closing Scope: Colyer Village is a redevelopment neighborhood which originally contained 92 units. FBRC demolished the existing homes and replaced them with 72 new homes with 2-car garages. The architectural style is Colonial architecture with New Urbanism planning principles.

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Fairfax Village:

Closing Scope: Fairfax Village is a redevelopment neighborhood which originally contained 148 units. FBRC demolished the existing homes and replaced them with 101 new homes with 2-car garages. The architectural style is Colonial architecture with New Urbanism planning principles. The fourth of five Neighborhood Centers was completed as well. The Fairfax Neighborhood Center is a 4,200 SF facility that includes a great room and kitchen for families to reserve, a conference room, 3 offices for Pinnacle community management staff and maintenance space for staff and storage to support work orders of approximately 400 homes. It is anticipated that the

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Fairfax Neighborhood Center will achieve LEED Platinum certification (for New Construction) by the United State Green Building Council, a first for an Army installation.

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Jadwin Loop Village:

Closing Scope: Jadwin Loop Village is a historic redevelopment neighborhood which originally contained 45 historic units. FBRC retained and renovated 31 of the historic homes (6 single family homes on 21st Street and 25 townhome units on Jadwin Loop). FBRC demolished the other 14 existing homes per SHPO approval and replaced them with 30 new homes with 2-car garages. The architectural style is Colonial architecture with New Urbanism planning principles.

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Gerber Village:

Closing Scope: Gerber Village is a historic redevelopment neighborhood which originally contained 76 historic units. FBRC will renovate all 76 historic homes and add new 2-car garages for each home. FBRC will also build 5 new infill homes with 2-car garages. The architectural style is Colonial architecture and Cape Cod style homes.

Modified Scope: No changes are contemplated. The Closing Scope is under construction currently.

Belvoir Village:

Closing Scope: Belvoir Village is a historic redevelopment neighborhood which originally contained 61 historic units. FBRC planned to renovate all 61 historic homes and add new 2-car garages for each home. FBRC will also build 5 new infill homes with 2-car garages. The architectural style is Colonial architecture.

Modified Scope: All home renovations will be completed (54 of 61 completed to date). The 5 new infill homes with attached 2-car garages are under construction currently. The MSP defers the construction of detached 2-car garages for the 61 historic homes from the IDP to the Out Years.

Dogue Creek Village:

Closing Scope: Dogue Creek Village is a “no touch” neighborhood which contains 270 units. These homes were renovated by the Army prior to RCI in 1999-2003.

Modified Scope: No changes are contemplated. The Out Year scope will involve demolition of 48 “excess” homes (likely in Dogue Creek) such that the end-state unit count is 2,106 homes.

Woodlawn Village:

Closing Scope: Woodlawn Village is a redevelopment neighborhood which originally contained 444 units. FBRC planned to demolish all existing homes and replace with 440 new homes with 2-car garages. The architectural style is Colonial architecture with New Urbanism planning

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principles. The fifth of five Neighborhood Centers is planned in Woodlawn. The Woodlawn Neighborhood Center will be a 4,200 SF facility that includes a great room and kitchen for families to reserve, a conference room, 3 offices for Pinnacle community management staff and maintenance space for staff and storage to support work orders of approximately 400 homes.

Modified Scope: Woodlawn Village will consist of 336 homes and a Neighborhood Center. The 336 homes will be Major Renovations on the existing units. FBRC will demolish ten (10) units (four (4) 2-bedroom units and six (6) 4-bedroom units) to make space for a connection road and the new Neighborhood Center. Conversion of existing 2-bedroom units to 5-bedroom units will result in 98 5-bedroom homes with 2-car garages (enclosed existing carports). Woodlawn will also have 238 4-bedroom units with 1-car garages (existing) as part of the Major Renovation phase. The fifth of five Neighborhood Centers is planned to be 7-8,000 SF and include an indoor fitness room, kid's room, great room, kitchen, 3 offices for Pinnacle community management staff and maintenance space for staff and storage to support work orders for Woodlawn. The Neighborhood Center is also planned to have a community pool, splash pad and wading pool for small children. Further detail on the renovation plan can be found in the Construction Plan section and below.

River Village:

Closing Scope: River Village is an existing neighborhood which originally contained 188 units. FBRC planned to demolish all existing homes at the end of the IDP to meet the 2,070-home unit requirement and provide a green field for Out Year phase development.

Modified Scope: River Village will consist of 188 homes. The 188 homes will be Major Renovations on the existing units. These units are necessary to achieve the 2,106-home HMA requirement. Renovation of all units will reposition the neighborhood and deter the impacts of the "have's" and "have nots" that exists today. Further detail on the development plan can be found in the Construction Plan section and below.

Amenity Plan:

Closing Scope: The amenity plan will consist of five (5) Neighborhood Centers, a 50,000 SF Recreation Center and a mix of community amenities (tot lots, basketball courts, etc.) per the below chart.

Modified Scope: The MSP amenity plan will consist of five (5) Neighborhood Centers and revised mix of community amenities per the below chart. The 50,000 SF Recreation Center has been eliminated to focus the development budget on new and renovated homes. The parcel identified in the CDMP for the Recreation Center will remain in the Ground Lease and make way for Out Year scope (potentially Town Center Phase 2 homes). Four of five Neighborhood Centers have been completed. The fifth Neighborhood Center in Woodlawn Village is planned to include a small community pool. The overall amenity mix has a reduction in playing fields (baseball, soccer) due to the lack of land in the Ground Lease. It should be noted the three (3) baseball fields in the CDMP plan were the Woodlawn Little League fields that still remain but are no longer part of Fort Belvoir and not in the FBRC Ground Lease as originally envisioned. The below amenity plan includes a dog park and tot lot that are contingent on Snow Loop real estate paperwork (Ground Lease amendment) being finalized. Further detail on the amenity plan can be found in the Construction Plan section and below.

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Amenity Mix Plan

	Original CDMP	MSP	Difference
Baseball Fields	3	-	(3)
Basketball Courts	8	11	3
Dog Parks	2	2	-
Fitness Course	2	1	(1)
Neighborhood Centers	5	5	-
Sand Volleyball	8	5	(3)
Picnic Shelters	15	14	(1)
Recreation Center	1	-	(1)
Outdoor Pool	-	1	1
Skate Park	-	1	1
Soccer Fields	4	2	(2)
Tennis Courts	8	9	1
Horsehoe Pits	-	8	8
Butterfly Garden	-	2	2
Picnic Area	-	14	14
Gazebo	-	6	6
Tot Lots	41	46	5
Total	97	127	30

MSP Renovation Scope Detail

The MSP consists of 694 Major Renovations vs. 170 Major Renovations (all historic) in the CDMP. This plan will enable the project to improve 1,884 total homes vs. 1,800 homes per the CDMP and stay within the development budget. This reflects the concept outlined in the 19 February 2007 letter in terms of total homes renovated. The cost of Major Renovations (b) (4) it) vs. new construction (b) (4) enables the adjusted development scope to meet the remaining development sources of funds. FBRC has begun feasibility studies on the renovation of the existing 444 homes in Woodlawn Village (8 pilot renovations on vacant units are underway to assess cost, structural details of the homes and marketability through future focus groups). The preferred plan is to keep the buildings and roads in place to both avoid the potential delays and costs due to the possibility of MEC issues (this risk may be mitigated by monitoring during construction of the Woodlawn Neighborhood Center and pool) and focus the development budget on the interiors and exteriors of the homes. It should be noted that the Probability Assessment dated 7 April 2009 and signed by the GC does state that the probability of encountering MEC during site activities in Woodlawn Village has been determined to be a "Low Probability." FBRC also considered a hybrid of new and renovated homes in Woodlawn Village but environmental concerns and long-term leasing concerns lend the best solution to be Major Renovations on all the homes. This will provide a comparable product type for all homes there and avoid "have's" and "have nots" within the same neighborhood.

The Major Renovations will be performed in two villages – Woodlawn Village (444 existing homes) and River Village (188 existing homes). The preferred plan for Woodlawn includes interior improvements (new kitchens, flooring, bathrooms, lighting, doors, paint), exterior enhancements (new landscaping, yard fencing, exterior skin improvements as needed) and amenity upgrades (new neighborhood center with a pool (assuming environmental approvals), dog park, playgrounds, basketball courts, community gardens, jogging trail, fitness equipment). Concept studies are also underway to make these "green" renovations, i.e. use of sustainable materials and technologies (high efficiency HVAC), to reduce long term operating

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costs but avoid any material increase in up front renovation costs. Although existing infrastructure (water, sewer, electric) is owned by the Army or a third party utility firm, FBRC does control the telecommunication, video and data service to Woodlawn. FBRC is investigating the feasibility to upgrade the service to a fiber solution similar to that done in new villages on Main Post. FBRC envisions an “extreme makeover” for Woodlawn that will reposition the neighborhood to be as desirable as villages on Main Post. Improved curb appeal, brand new interiors and unique amenities (outdoor pool, fitness room, dog park, community garden) will help re-brand Woodlawn to position the village as a valuable asset in the portfolio for the long term.

Woodlawn pilot renovations are currently underway on a sample of vacant units to assess cost and marketing feasibility on the 4 bedroom homes, 2 bedrooms and the planned 2-bedroom to 4-bedroom conversions. Woodlawn includes 244 4-bedroom homes and 200 2-bedroom homes. The marketability of the 2-bedroom homes has and continues to be a challenge due to that product type being prevalent in the marketplace outside the gate (and currently lower rents (b) (4) than the average BAH (b) (4)). The preferred plan includes conversion of the 2 bedroom units (which are stacked – a 2-bedroom unit is above a 2-bedroom unit) to 4-bedroom or 5-bedroom units with an enclosed garage. This will leave an estimated 336 4-bedroom and 5-bedroom units in Woodlawn (4 buildings are planned to be demolished to provide space for the proposed Neighborhood Center and infrastructure (roads, parking, etc.).

The additional Major Renovations will take place in River Village (188 existing homes). River Village will be repositioned in the IDP as both a long term solution (b) (4) and as a swing space neighborhood for the Out Years. The CDMP envisioned River Village being demolished at the end of the IDP due to all 444 homes being redeveloped in Woodlawn Village and River Village being vacant swing space for Out Year new construction. Due to the planned reposition plan of Woodlawn Village having less than 444 homes (336 estimated homes in current plan), the additional 100+ homes must be made up on Main Post. Major Renovations in River Village will satisfy the unit count needs as well as provide homes to relocate families in the Out Years as redevelopment phases occur. The existing homes in River Village are valuable assets as-is with existing infrastructure, 3-bedroom homes and good “bones” that provide both a quality place to live and a source of NOI for the project. Demolishing these homes would both destroy economic value and prevent FBRC from meeting the (b) (4) and the 2,106-home HMA guideline.

FBRC and its environmental counsel have reviewed NEPA regulations regarding keeping River Village on-line vs. demolishing the neighborhood. Renovating River Village does not create significant environmental circumstances or previously unidentified significant adverse affects. The scope adjustment plan actually reduces demolition and site development impacts for the project (reduced noise, air emissions, construction traffic, erosion, and solid waste disposal that was anticipated in both Woodlawn and River Villages). While a portion of River Village is currently in the flood plain, the existing homes are grandfathered and would remain in place until such time as the entire village or a portion of the village is demolished and re-built (possible Out Year phase).

Renovation plans for River Village will include interior, exterior and amenity enhancements similar to those envisioned in Woodlawn Village. Preliminary plans (sketches found in Construction Plan section) include adding a full bathroom to the 2nd floor, renovating the master bathroom and upgrading the kitchen. The addition of a full bathroom on the 2nd floor will create a 3-bedroom, 2.5-bath home. One of the top pieces of feedback from existing and prospective tenants is the lack of two full bathrooms. Planned improvements to the curb appeal include backyard privacy fencing and new landscaping.

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(b) (4)

To accommodate the relocations of families in Woodlawn and River Villages, swing space homes are required. To avoid additional forced relocations (which impact families and the development budget), FBRC has planned and budgeted the demolition of the 48 excess homes in Dogue Creek in 2014. It is also preferable to demolish entire blocks of homes for safety and planning synergies.

As an example of Out Year phasing, if the Tomkins Basin parcel were conveyed to the FBRC Ground Lease, IDP surplus funds could be utilized to build new homes in 2012 (or whenever real estate and environmental approvals allowed); then the excess homes in Dogue Creek would be taken off-line and/or demolished to make way for Out Year future swing space and development. An alternative plan would involve demolishing and rebuilding Dogue Creek in place. Due to environmental constraints and the architectural style and density of other new villages, there would be less than 270 homes in a redeveloped Dogue Creek. It should also be noted that if occupancy is 92% as projected, the total families residing on Post would be 1,984 even when there are 2,154 homes temporarily.

The recommended scope adjustment provides a plan to complete the IDP by 2011, reposition the remaining homes and meet the remaining project budget. The MSP outlines a plan to renovate the homes in Woodlawn and River Villages which are in dire need of work. Occupancy has been lingering in the 70% range for these 632 homes (31% of the portfolio). The scope adjustment plan will complete the repositioning of all homes at Fort Belvoir since Dogue Creek Village was renovated by the Army prior to RCI.

MSP Amenity Plan Detail

Modifying the amenity plan consists of a) eliminating the recreation center and b) changing the quantity and locations of various neighborhood amenities (pools, parks, ball fields, etc).

Recreation Center

The scope adjustment recommendation consists of eliminating the recreation center (50,000 SF), adding an outdoor pool attached to a Neighborhood Center (planned for Woodlawn Village) and adjusting the amenity mix to reflect a realistic plan given both resident preferences and land constraints. One of the amenity areas proposed to be utilized is Snow Loop (Parcel K) per the Major Decision Concept Paper signed by Clark Pinnacle and the Army on 8 January 2009.

The concept of eliminating the recreation center was proposed and agreed upon by Clark, Pinnacle and the Garrison Commander in February 2007 (19 February 2007 Major Decision Concept Paper). The primary purpose was to spend remaining development budget funds on homes vs. one large amenity (b) (4) since there was a projected (b) (4). The MSP eliminates the recreation center and utilizes the land parcel (close to the Town Center) in the Out Years for additional mixed use development (similar to the Town Center in Herryford Village).

Neighborhood Amenities

Additionally, the MSP reflects changes to the CDMP plan for the mix of amenities within the neighborhoods. The revised plan reflects the preferred mix from additional focus group discussions, town hall meetings with families, and realistic targets given the land constraints discovered during the IDP. The MSP includes all five (5) Neighborhood Centers planned in the CDMP. The Neighborhood Centers serve as the most valuable community amenity – in terms of use (average of 30 events/center/month);

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community relationships (social events and property management staff interactions); and operations (property management and maintenance staff hub). FBRC has also included other amenities not previously planned in the CDMP (picnic grilling areas, butterfly nature gardens, a new skate park, etc). While there is a reduction in large playing fields (baseball and soccer), much of this is due to the Woodlawn Little League Fields not being part of the Ground Lease as envisioned during the CDMP. The lack of land within the Ground Lease has resulted in fewer soccer fields. In summary, the mix of amenities developed in the new urbanism-style villages has been received well by families and achieves the sense of community desired in the CDMP plan.

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4. Out Year Development Plan

(b) (4)

The MSP Out Year plan will include component replacement, unit renovations, selective replacement of non-historic housing units with a priority given to the existing homes that received the least renovation dollars during the IDP (Dogue Creek Village, then River Village, etc.).

The above Out Year funds chart reflects assumptions that are located in the Financial Section. As an example, (b) (4)

It should be noted the Out Year projections include the current unit mix plan of 80% enlisted and 20% officer housing. If enlisted demand decreases in the Out Years and the 2007 HMA guidelines are followed, the unit mix will be adjusted accordingly and the Out Year funds will increase. (b) (4)

(b) (4)

FBRC anticipates completing more renovations in lieu of new construction in the Out Years. However during the Out Years, the partnership will assess the Community Reinvestment Fund capital to best sustain and improve the homes in the portfolio.

Please refer to the Christmas Tree Chart in the Executive Overview for the projected use of funds for scope in the Out Years.

Additional Land Parcels

As discussed in the Executive Overview, the MSP includes the *concept* of conveying additional land parcels to the FBRC Ground Lease for Out Year development and swing space. FBRC projects an IDP surplus of (b) (4) based on the new pro forma and assumptions (refer to the Financial Plan for additional detail). The surplus funds may be used for construction of new homes as soon as land is conveyed and cleared for new construction. If no additional land is conveyed, then the Out Year development will be prolonged due to minimum debt service and units online requirements. Surplus funds could also be utilized to construct a maintenance facility for the duration of the Ground Lease since the property manager has not been provided a long term solution for its storage needs.

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It is important to note that the MSP does not incorporate the actual land parcels; the MSP simply includes the concept outlined due to how these parcels impact the Partnership's ability to phase into Out Year phase development and continue to improve the portfolio of homes on the Installation. Land conveyance will require concurrence from the Partnership at the Installation level, additional environmental documentation and real estate action paperwork. While the concept is supported by the Partnership, additional work must be completed at the Installation level to facilitate this future Major Decision. As stated previously, the MSP does not obligate the Installation to convey additional land. Below is a brief summary and concept plan of the potential parcels.

(b) (4)



(b)
(4)



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FBRC estimates about 30 new homes could be built, with the possibility of adding more in Out Year phases pending relocation of existing AAFES, MWR and other facilities. It should be noted that the

(b) (4)

Lewis West:

(b) (4)

The Lewis West parcel includes the vacant land directly adjacent to Lewis Village (274 new homes and a Neighborhood Center completed in 2005). This parcel has the advantages of being one of the most "shovel ready" due to no building relocations required. Other synergies include expansion of the Lewis Village housing community to better utilize the FBRC amenities (Neighborhood Center and playing field) and the adjacent Installation amenities (chapel, pool, PX, Commissary) within walking distance.

FBRC estimates approximately (b) (4) homes could be built on this parcel. This number is reduced from early design estimates due to DPW placing a new, proposed Child Development Center adjacent to the existing chapel and on part of the proposed RCI land. There are also environmental constraints with the Friends Meeting House directly adjacent to the site. New homes at Lewis West could be programmed for officer housing to meet the HMA demand.

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Tomkins Basin:



The Tomkins Basin parcel includes primarily vacant land, some of which has been utilized by FBRC for staging areas during the IDP via Ancillary Leases. The location of this parcel creates an opportunity to create a new officer neighborhood to alleviate the long term demand shown in the 207 HMA. Regardless of the rank designation, additional ADA homes could be programmed should the demand for new ADA homes exceed the 5% target in the CDM. Primarily single family homes could be located in an area that backs up to the woods and provides the gateway to the lower Tomkins Basin amenity area.

FBRC estimates approximately (b) (4) homes could be built on this parcel (b) (4)

The schematic plan also shows a large amenity park which could be utilized for a new multi-purpose field and track should the Installation wish to re-program the Town Center block for more density and uses in the future.

FBRC's architect has notionally shown the possibility of creating a connection point from this proposed new housing area to Gerber Village to the northeast (arrow on plan). While there are existing industrial uses in plan in this area, it would help tie the neighborhood into the other housing areas. This section of Tomkins Basin (called Gerber West in early discussions with DPW and its planners) could be another Out Year development phase if additional land for housing is needed.

The benefits to this parcel include the ability to create a unique community for officers on land that is largely unencumbered from existing buildings and uses.

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PX Site:



The PX Site includes land that is currently occupied by the existing Commissary, existing PX and the parking lot. Both the PX and Commissary are designing new facilities to replace the current ones in this location. With the relocation of the PX and demolition of the existing Commissary (estimated completion 2015 per meeting with AAFES), there is an opportunity to create a housing community that connect existing Lewis Village to the retail hub. Additional homes at the PX Site would also create synergies for the Lewis Village Neighborhood Center and operations by increasing the density of housing in this area of the Installation. The PX Site could help create a "North Post Town Center" for residents to walk to the retail stores.

FBRC estimates that approximately (b) (4) homes could be built in this area. Due to the potential demand for new officer housing per the 2007 HMA, these homes could be primarily single family detached homes.

A challenge with this site is the uncertain timing of the completion of the new PX and Commissary. Furthermore, if the existing Commissary is not demolished (e.g. re-used for another Army use), then the community plan is greatly diminished with a large concrete box and associated parking in the heart of this potential neighborhood. However if the Tomkins Basin parcel is not a preferred site at the Installation level due to master planning or environmental issues, the PX Site provides land for the needed swing space to implement the Out Year plan shown below.

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(b) (4)



The above chart depicts where homes would be demolished in the Out Years and new construction would occur (assuming additional land parcels are provided). Upon conveyance of additional land parcels, FBRC projects an IDP surplus that could be utilized to build new homes on one or more New Land Parcels. Consent by the Bondholder Representative would be required for the land conveyance and Out Year development to ensure adequate debt service coverage. Then a portion of homes in Dogue Creek Village would be demolished after families relocated to new homes on New Land Parcel(s). This demolition would also ensure the Out Year unit count meets the HMA requirement of 2,106 homes. New homes could then be built on a subsequent New Land Parcel or on Dogue Creek vacant land. This phasing plan would continue such that River Village would be demolished at the end of Year 20 to make way for green field swing space for the next Out Year period (Years 21-30). Please note that Tomkins Basin (shown as New Land Parcel 1) could be substituted with the PX Site if that were preferred by the Installation.

Without additional land parcels, FBRC will be constrained on its ability to replace the older housing areas with new homes with 2-car garages and amenities due to the desired density of the redeveloped neighborhoods (3-5 units/acre) and challenges with the existing parcels in the Ground Lease (River Village and Dogue Creek Village). Upon redevelopment of both River and Dogue Creek, there will be fewer homes in both neighborhoods due to the larger floor plates of new houses with garages, flood plain,

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storm water management code compliance and bald eagle protection zones. Additionally, the potential increase in ADA homes (from the 5% target to 10%+ pending demand needs) that could be caused by the new DeWitt Hospital would utilize more land than the traditional 2-story single family homes (ADA homes are single story and thus consume a larger floor plate and more land). If the Installation does not approve conveyance of any combination of suggested land parcels, then FBRC will reassess the density requirements to ensure that the (b) (4) preferred unit count of 2,106 homes per the 2007 HMA guidelines are feasible. Due to land constraints in Dogue Creek and River Villages, a 4-story townhome product with tuck under garages may be required in this scenario. This not only may still not meet the density needs but also would result in an architectural style that does not match the RCI villages built to date and a product that is traditionally less desirable to families with young children due to the "vertical" design of the house (4 flights of stairs vs. 1 max in our current homes). (b) (4)

(b) (4) This would be due to demolishing half of or an entire neighborhood after vacating it (e.g. Dogue Creek), and then the downtime (b) (4) of rebuilding the new homes to get the unit count back up to the HMA requirement (if the density was achievable).

Each proposed New Land Parcel has its pro's and con's, and FBRC is eager to work with the GC and DPW to select the best site(s) that meet the vision for the Installation, the Belvoir Master Plan and provide the swing space to continue to reposition the portfolio into the Out Years.

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5. *Construction Plan*

Hard Cost Breakdown

The table below reflects the preliminary budget estimate for the MSP scope. The Uses reflect only what shown below, i.e. current work released or not changed in the MSP is already accounted for. The costs indicated in this table are “all-in” and include insurance, general conditions, fee and bonds. The total Projected Sources is a snapshot of the amount of funds available for the MSP scope per the MSP pro forma (refer to the Financial Plan section for detailed pro forma information).

(b) (4)



The MSP amenity plan has a revised amenity budget for the IDP. Excluding the deletion of the 50,000 SF Recreation Center, the total amenity budget is approximately (b) (4) greater than the CDMP budget. Although certain items (i.e. baseball fields) are no longer included, the total amenity plan within neighborhoods has not only more individual amenities but also a higher investment from the development budget than originally anticipated. See the below chart for additional details.

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MSP Amenity Budget Comparison

	<u>CDMP</u>	<u>MSP</u>	<u>Difference</u>	<u>unit price</u>	<u>CDMP</u> <u>Budget</u>	<u>MSP</u> <u>Budget*</u>	<u>Difference</u>
Baseball Fields	3	0	(3)			(b) (4)	
Basketball Courts	8	11	3				
Dog Parks	2	2	0				
Fitness Course	2	1	(1)				
Neighborhood Centers	5	5	0				
Sand Volleyball	8	5	(3)				
Picnic Shelters	15	14	(1)				
Recreation Center**	1	0	(1)				
Outdoor Pool	0	1	1				
Skate Park	0	1	1				
Soccer Fields	4	2	(2)				
Tennis Courts	8	9	1				
Horseshoe Pits	0	8	8				
Butterfly Garden	0	2	2				
Picnic Area	0	14	14				
Gazebo	0	6	6				
Tot Lots	41	46	5				
Total	97	127	30				

* MSP Budget includes amenities already completed and projected amenities to be built.

** The Recreation Center was a stand alone phase in the CDMP with a (b) (4). After escalation, the phase was projected to cost (b) (4).

Woodlawn Village**Renovation Scope**

FBRC plans to perform Major Renovations on the 238 existing 4-bedroom homes and 196 existing 2-bedroom units to create 98 5-bedroom homes. The conversion of the existing 2-bedroom units (stacked 2-bedroom flats in a 4-unit building) will require extensive renovations of the interiors, HVAC and electric systems. To better understand cost, schedule and desired scope, FBRC has taken 8 vacant units offline to perform pilot renovations. This will enable FBRC to get feedback from existing residents through future focus groups and gauge the marketability to potential residents. The pilot renovations will also facilitate the lessons learned process and streamline the construction schedule.

The interior renovation scope includes such items as new kitchens, carpet, removal of “popcorn” ceilings, new interior doors, updated bathrooms, new lighting and new paint. The finishes will be similar to that provided in new homes to be up to date and comparable to the other homes in the portfolio.

In addition to interior upgrades, FBRC will be performing an exterior makeover of the homes in Woodlawn Village. While the architectural style will remain, FBRC will replace roofing, paint select homes (currently 1970’s-style brick), replace front doors, install new wooden privacy fencing in backyards and new landscaping.

Project Drawings

The pilot renovations include a “budget unit” and an “upgrade unit.” FBRC gathered input from the property manager, Installation and General Contractor to select the level of finishes for the pilots. Pending the final budget and feedback, FBRC will be able to judge which menu of options are the most effective from a marketing and budget perspective.

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Project construction drawings for the renovated Woodlawn Village units are nearing completion and progress plan sets are available upon request. Below are plans of the existing floor plans and proposed floor plans for Woodlawn Village.

Scheduled Renovations – Existing 4-Bedroom Units

- New Kitchen (Cabinets, Counters, Appliances, Flooring)
- New Bathrooms
- New Telecom Wiring
- New HVAC (as needed)
- Cosmetic Upgrades (Carpet, Interior Paint, New Interior Doors, New Lighting)
- Exterior Enhancements (New Backyard Fence, Landscaping, Roofing, Exterior Paint – as needed)

BEFORE & AFTER:

Woodlawn Village Existing 4-bedroom, 2.5 Bath Floor Plan

(b) (4)



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(b) (4)



Scheduled Renovations – Existing 2-Bedroom Units

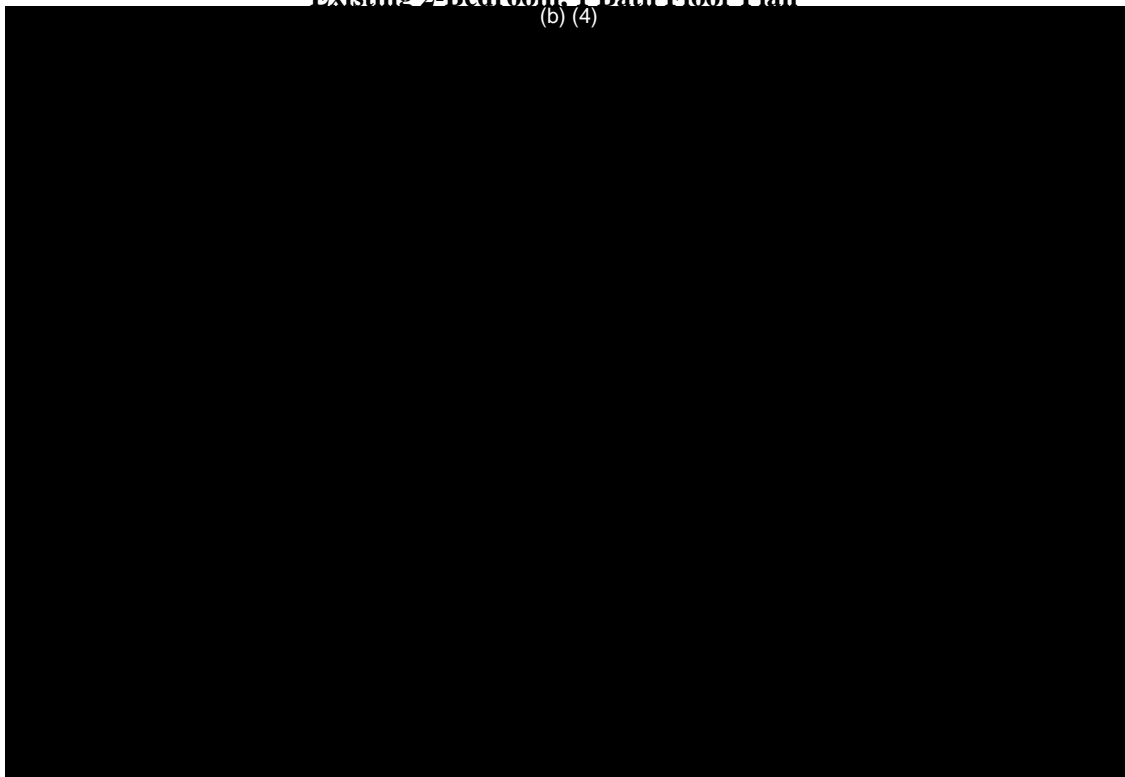
- Convert 2-bedroom unit over 2-bedroom unit into a 4-bedroom+den unit
- New Kitchen (Cabinets, Counters, Appliances, Flooring)
- New Bathrooms
- New HVAC System
- New Telecom Wiring
- Cosmetic Upgrades (Carpet, Interior Paint, New Interior Doors, New Lighting)
- Exterior Enhancements (New Backyard Fence, Landscaping, Roofing, Enclosed Garage, Exterior Paint – as needed)

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BEFORE:

Existing 2-Bedroom, 1 Bath Floor Plan
(b) (4)



The above floor plan is the same for the 1st and 2nd floor of the 4-unit building. There is an open carport with space for 2 vehicles at the front of the building.

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AFTER:

Schematic 2-Bedroom to 4-Bedroom+Den, 3-Bath Conversion Renovation Plan

(b) (4)



This plan utilizes the existing outdoor stairwell as an internal staircase to connect the first and second floors of the units. Enclosing the stairwell creates the foyer space and enables the floor plans of the existing 2-bedroom units to be better utilized, i.e. the kitchen stays in place and bathrooms generally stay in the same locations. The second floor existing great room is converted to a master bedroom with access to the second floor patio and a reconfigured master bathroom. The first floor bedroom is a den/optional bedroom with access to a full bathroom, closet and window. The existing open 2-vehicle carport is enclosed to create a 2-car garage similar to what provided for all new homes. The other 4-bedroom homes in Woodlawn already have an enclosed 1-car garage.

Exterior upgrades to the units include new backyard wooden privacy fencing to replace out of date chain link fencing, new landscaping, new roofing and new exterior paint/siding as needed. A color consultant has been engaged to present a holistic plan to improve the exterior aesthetics of the 1970s-style homes. Some of the exterior brick will remain as-is; while other units may have the brick painted.

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Below are progress photos of the pilot renovations that reflect the changes that will be rolled out in Woodlawn.



Before



After

INTERIOR:

- New doors and hardware
- New carpet and vinyl flooring
- New lighting (including addition of recessed can lighting)
- New handrail
- Retextured ceilings and walls
- New electric receptacles and telecommunication wiring
- New light switches and plates

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Before



After

KITCHEN:

- New cabinets
- New countertops
- New plank vinyl flooring
- New upgraded appliances (including addition of a microwave)
- New lighting (including addition of recessed can lighting)
- New kitchen sink and faucet
- Addition of desk / work station

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Before



After

BEDROOMS:

- New closet doors and hardware
- New carpet
- New lighting (including addition of ceiling fans)

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Before



After

LIVING ROOM:

- Upgraded finish detail (including addition of crown molding)
- Retextured ceilings and walls
- New carpet
- New lighting

MODIFIED SCOPE PLAN

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Before



After

EXTERIOR:

- New rear fencing
- New foundation plantings (shown in following photos)
- New seed and sod in rear and front yards (shown in following photos)
- New roofing (shown in following photos)
- New gutters and downspouts (shown in following photos)
- New siding (shown in following photos)
- Painted brick (shown in following photos)

MODIFIED SCOPE PLAN

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Before



After

Above are photos from April 2009 of the Woodlawn pilot renovations. Painted exterior brick, new roofing, new siding and new landscaping depict the immediate curb appeal improvement to the homes.

MODIFIED SCOPE PLAN

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After



After

The above photos also reflect the exterior improvements to the second Woodlawn pilot renovation unit.

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Amenity Plans

The schematic amenity plan for Woodlawn Village is a framework to both add new, special amenities and enhance existing, outdated amenities for the neighborhood. The “extreme makeover” of Woodlawn Village will include amenities found on Main Post in redeveloped housing areas as well as amenities not yet programmed or built in the RCI project to make Woodlawn a unique neighborhood and a long-term, high demand community.

The most significant new amenity will be a Neighborhood Center. The original CDMP envisioned the project’s 5th Neighborhood Center to be located in Woodlawn Village. FBRC plans to create a larger building (7-8,000 SF vs. 4,200 SF) to program more community amenities, i.e. a fitness room, larger bathroom/shower facilities, and an outdoor pool. The small community pool would provide an outdoor amenity for Woodlawn families to utilize during the summer months. This unique feature to the RCI project would also reposition the neighborhood to compete with the market-rate apartment communities outside the gate and literally across the street. FBRC envisions the building using the sustainable lessons learned from the LEED Platinum Fairfax Village Neighborhood Center. The team has targeted Leadership in Energy and Environmental Design (LEED) Silver for the Woodlawn Neighborhood Center with the goal of building the building for the same cost (\$/SF) as the Neighborhood Centers that are not LEED certified (i.e. George Washington Neighborhood Center).

Below are preliminary concepts for the floor plans and exterior architecture. Due to the modern style of the existing Woodlawn homes, the design team has proposed more modern architecture (drawing on the Pope Leighey House (Alexandria, VA) designed by Frank Lloyd Wright) versus the colonial architecture utilized on the previous four Neighborhood Centers.

Woodlawn Neighborhood Center Concept Floor Plan

(b) (4)



MODIFIED SCOPE PLAN

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Woodlawn Neighborhood Center Concept Architecture (Elevation View)



Other unique proposed amenities include a dog park, community garden, chipping green and fitness station path. The proximity of the Jackson Abbott Wildlife Refuge and large open spaces in the neighborhood present a unique opportunity to create a community of environmental awareness. The theme of the new Neighborhood Center, plant species signs along walking paths and bird houses is planned to facilitate this goal.

While Woodlawn Village is undergoing renovations, FBRC will renovate two vacant units to convert them into a temporary Neighborhood Center and a temporary Fitness Room. These are in high demand from existing residents and will enable the property to compete with the marketplace until the new Neighborhood Center is complete and programmed with permanent amenity space for families.

Below is a schematic site plan depicting planned amenities in Woodlawn Village.

MODIFIED SCOPE PLAN

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(b) (4)



CLARK PERKINS VENTURE
TORTI GALLAS AND PARTNERS

WOODLAWN VILLAGE

MODIFIED SCOPE PLAN

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Detailed Renovation Budget

FBRC is in the process of finalizing costs for the renovations. The below table reflects the renovations underway on the existing 4-bedroom homes. There is a difference in the preliminary pricing for the two upgrade units due to different floor plans. The conversion plan is preliminary due to construction plans still in progress. Note that the preliminary pricing varies from the \$ (b) (4) per unit concept budget but will be refined as the pilot renovations are assessed and re-evaluated.

(b) (4)



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River Village

Renovation plans for River Village will include interior, exterior and amenity enhancements similar to those envisioned in Woodlawn Village. Preliminary plans include adding a full bathroom to the 2nd floor, renovating the master bathroom and upgrading the kitchen. The addition of a full bathroom on the 2nd floor will create a 3-bedroom, 2.5-bath home. Planned improvements to the curb appeal include backyard privacy fencing and new landscaping. The design team is also investigating the feasibility of creating a functional front porch.

Project Drawings

Construction drawings for the planned renovations of River Village are underway. Progress sets will be made available upon request. Below are sketches of the existing floor plans and schematic plans.

Scheduled Renovations – Existing 3-Bedroom Units

- Add New Full Bathroom on 2nd Floor
- New Kitchen (Cabinets, Counters, Appliances, Flooring – as needed*)
- New Bathroom Finishes
- Cosmetic Upgrades (Carpet, Interior Paint, New Interior Doors, New Lighting)
- Exterior Enhancements (New Backyard Fence, Landscaping, Exterior Paint – as needed)
- Approximately 1/3 of units have already received kitchen upgrades as part of marketing and concession leasing program.

BEFORE:

River Village Existing 3-Bedroom, 1.5 Bath Floor Plan

(b) (4)



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(b) (4)



AFTER:

River Village Schematic 3-Bedroom, 2.5 Bath Renovation Plan

(2nd Floor Shown Only)

(b) (4)



MODIFIED SCOPE PLAN

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Only the second floor is shown due to this having the most significant scope of the River homes. The existing units have only one full bath which creates marketing challenges due to the 3-bedroom size of the homes (a family with two children waiting to use one shower likely creates scheduling issues on school days). By converting a small storage/office space into the hall bath, a new full bathroom is created to serve for the children rooms (Bedroom #2 and #3). The existing full bathroom with current access from the hallway is proposed to be reconfigured to create a full master bathroom to serve the master bedroom. A master walk-in closet will also be created.

Improvement of curb appeal will involve new landscaping. The exterior porch entrance (cinder block below) may also be removed and improved with a new entrance.

Existing Exterior Photos



Before

MODIFIED SCOPE PLAN

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Before



After (Schematic Plan)

Per the above exterior elevation, FBRC and the design team are investigating the feasibility to demolish the current front stoop and entrance to create a functional front porch for the River Village homes. Providing this space for families could not only make the home more desirable but also help create opportunities to strengthen the community through neighbors utilizing the exterior space more often.

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MSP Phasing Plan and Schedule (Page 1 of 3)

(b) (4)



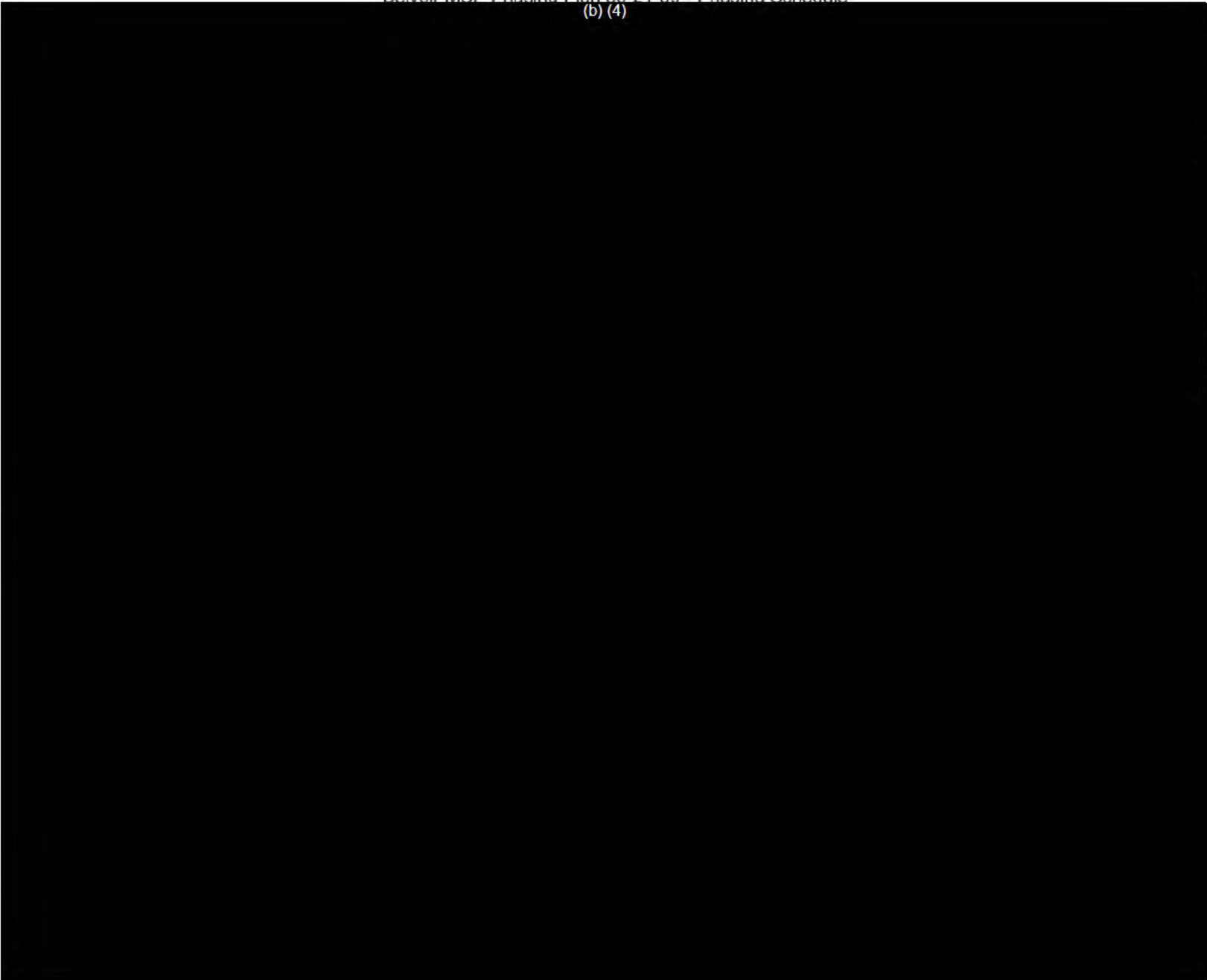
MODIFIED SCOPE PLAN

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MSP Phasing Plan and Schedule (Page 2 of 3)

Belvoir MSP Phasing Plan 05-21-09 - Phasing Schedule

(b) (4)



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MSP Phasing Plan and Schedule (Page 3 of 3)

(b) (4)



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The above MSP phasing plan reflects how the current phases and renovation phases of the MSP are anticipated to be completed. The final detailed plan requires coordination with the property manager on a comprehensive plan to relocate families in the path of renovation, provide sufficient vacant homes for construction efficiencies and turnover schedules to continue the cycle of renovations. The MSP phasing plan has been used in the MSP pro forma (refer to Financial Plan section for more detail). The final schedule will be incorporated into the Construction Agreement.

In addition to the overall phasing plan, FBRC is developing a schedule to manage the renovations by quad or block. The below detailed phasing plan shows the general sequencing of how three Major Renovation phases will be executed (note all three will be ongoing concurrently).

Belvoir MSP Detailed Phasing Plan - 05/24/09 - Phasing Schedule
(b) (4)



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The MSP phasing plan also reflects the total number of units on-line. Due to the staged vacancy of Woodlawn and River Village homes, the total number of units available will dip below (b) (4) during the IDP. This is consistent with the phasing plan at Closing and at Refinancing. However effective occupancy should increase since the total families residing at Fort Belvoir has been approximately 1,900 families for the past year. In other words, taking vacant homes offline will increase overall occupancy (since residents will be relocated or backfilled with new residents) and provide the runway needed for the general contractor to execute on the MSP renovation work. While the end-state unit count is reflected as 2,154 homes, this will be phased down to 2,106 homes per the HMA as discussed in the Out Year section. The below Units on-Line Schedule reflects the MSP phasing plan and does not trigger any units on-line or debt service coverage ratio requirements within the loan documents.

MSP Units On-Line Schedule

(b) (4)



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Snow Loop Amenity Park

Snow Loop (Parcel K) is included in the MSP as an amenity park to compliment new and existing neighborhoods on Main Post. Upon completion of the real estate paperwork (Ground Lease amendment), FBRC will design and construct a dog park, playground and amenity area. Due to the family-oriented nature of the Belvoir community and how dog parks are used outside the gate, programming a playground in proximity is an appropriate use. Below is a preliminary concept for the park.

Snow Loop Amenity Park Concept Plan

(b) (4)



Technical Specifications

The technical specifications for the new houses are unchanged. All new homes continue to achieve EnergyStar certification. Minor other adjustments have been made (e.g., flooring materials, outlet locations) based on input from current residents of new houses built to date. Sustainable technologies (e.g., geothermal HVAC system, photovoltaics) have been incorporated into a recently completed Neighborhood Center (Fairfax Village) and may be included in renovated and new homes. Other sustainable features include the use of compact fluorescent lightbulbs (CFLs) for all new and renovated homes, including retrofitting of existing and previously completed homes.

The technical specifications for the infrastructure and utilities continue to meet local, county, state and federal regulations. Changes to county regulations regarding storm water management have resulted in additional hard costs (b) (4)) and have reduced buildable land area within the Ground Lease.

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Environmental Reports

All environmental documentation required for the MSP is complete to the best of Clark's knowledge.

Structure of the Construction Agreement

(b) (4)

(b) (4)

Neighborhood Infrastructure Strategy

New Villages (Herryford, Vernondale, Cedar Grove, Lewis, George Washington, Rossell, Park, Colyer, Fairfax): FBRC owns and maintains all new Electric, Water and Sanitary Sewer systems in new or redeveloped villages (with new homes).

(b) (4)

Natural Gas infrastructure is owned and maintained by Washington Gas. All new villages have Natural Gas as the primary energy source for the homes.

(b) (4)

Old Villages (Belvoir, Gerber, Dogue Creek, River, Woodlawn): Electricity serving homes in these villages will continue to be provided by privatized underground infrastructure, owned and maintained by Dominion Virginia Power. As upgrades are required, Dominion will be responsible to maintain the system. Water and Sanitary Sewer will continue to be served by the Army until such time as the systems are privatized and conveyed to a third party company (privatization procurement currently underway).

(b) (4)

Woodlawn Village and River Village Renovations: FBRC will assess the Water and Sanitary Sewer systems for adequacy and expected life as part of the renovation process. If capital repairs are required, FBRC will coordinate work and negotiate costs with DPW. FBRC will pursue technology upgrades to Woodlawn and River Villages through the Telecommunications Agreement with Verizon.

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FINANCIAL PLAN

1. Financial Overview

The MSP provides a financially feasible plan to reposition the remaining homes at Belvoir and a stable portfolio of homes for the Out Years. The renovation plans outlined in the previous sections provide a solution to upgrading antiquated housing areas that have struggled with low occupancy. The scope adjustment enables the interiors of Woodlawn and River Village homes to be brought up to modern standards, the exterior curb appeal approved and amenities added to enable the homes to compete with homes and apartments outside the gate, and most importantly, meet the needs of Service Members and their Families. The financial details reflected in this section show that the MSP offsets a projected CDMP deficit of \$ (b) (4) and provides a projected MSP surplus at the end of the IDP of (b) (4). The MSP lays the groundwork to provide sources of funds for Out Year development as soon as additional parcels are made available.

Current Deficit and MSP Uses

The below chart reflects what the current projected CDMP deficit would be if the CDMP scope were executed. There are insufficient funds to demolish and rebuild all of Woodlawn Village. (b) (4) during the years 2004 – 2007 created a projected development budget deficit of approximately (b) (4)

As discussed in previous sections, the amenity plan and historic village garage plan are being revised in the MSP as well. The below chart summarizes the impacts to the uses of funds by reducing the new construction in Woodlawn Village and substituting renovations in Woodlawn and River Villages.



³ RS Means Reports indicate escalation as follows: 2004: 8.44%, 2005: 8.22%, 2006: 12.77%, 2007: -2.33% = 29.14% (includes compounding)

⁴ (b) (4)

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The addition of Snow Loop amenity park is assumed as a use of funds but is contingent on final real estate transaction paperwork (formal amendment to the Ground Lease). The historic garages will be deferred to an Out Year phase. The garages are estimated at \$ (b) (4) per garage for 61 homes in Belvoir Village due to the historically compatible materials (brick, slate roofs) and delicate tree preservation and removal that would be required.

The remaining \$ (b) (4) would be set aside as IDP contingency and utilized for new home construction when new parcels are conveyed (Out Year phase). It is currently estimated that this remaining budget could be used to build approximately 100 new homes on Main Post.

Updated Sources and Uses

(b) (4)

The projected uses of funds per the previous sections are as follows.

1. Major Renovations - 336 Homes at Woodlawn Village			
Renovated Units			238
Renovated Units			98
Cost per Reno Unit	\$		(b) (4)
Cost per Reno Unit	\$		
Amenities & Infrastructure	\$		
Total Cost	\$		

2. Major Renovations - 188 Homes at River Village		
Renovation Units		188
Cost per Reno Unit	\$	(b) (4)
Amenities	\$	
Total Cost	\$	

3. Snow Loop Amenity Park		
Total Cost	\$	(b) (4)

Total Scope Adjustment Uses	\$	(b) (4)
------------------------------------	-----------	----------------

Therefore with either method of analysis on remaining sources, the MSP is a viable plan due to the preliminary (b) (4). While the projected MSP surplus of (b) (4) may be utilized for Out Year development starting in 2012, the MSP budget contingency will provide flexibility for potential unforeseen conditions (infrastructure issues, mold, etc.) that may arise during the renovation process.

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Remaining Hard Costs Available for Scope Adjustment

(b) (4)



The above analysis reflects the committed costs for phases executed, i.e. released phases; pending escalation change orders for released or completed phases; and projected costs for Gerber Village renovations, allowance overruns and Capital Replacement costs (the IDP Capital Replacement budget has been expended, so additional costs are funded from the Loan Proceeds Account) as of 31 December 2008. This analysis utilizes projected savings as of December 2008 and is subject to change. The distribution of savings to the Owner prior to the end of the IDP will provide approximately (b) (4) of additional sources to fund scope. This “surplus” of approximately (b) (4) is the amount of funds available to spend on the recommended scope adjustment plan (renovations in Woodlawn and River Villages, adjusted amenity plan, Belvoir Village garage deferral).

The below table reflects the summary from the updated refinance pro forma as of 31 December 2008 bank balances. The project pro forma analyzes total sources and uses looking forward through the end of the IDP. The increase in the projected surplus is driven by potential excess cash flow during the IDP. This snapshot includes the 2009 BAH data and assume 2.5% BAH increases⁵ and operating expense

⁵ BAH increases have been reduced to 2.0% in the final MSP pro forma.

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increases for the remainder of the IDP and Out Years.

(b) (4)

(b) (4)

(b) (4)

6

(b) (4)



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(b) (4)



The below summary compares sources and uses from Closing (2003) to Refinancing (2005) to the MSP (2009). The MSP

(b) (4)



(b) (4)



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Housing Market Analysis

The Army issued the 2007 HMA on 27 June 2008 which analyzed the post-BRAC requirement housing needs for Fort Belvoir in 2012 which reflects an increase in the unit count requirement from (b) (4) homes to 2,106 homes. The HMA also anticipates a 27% increase in officer housing (completion of the Belvoir IDP is at the end of 2011). The HMA will be used as a guideline only. FBRC will continue to provide priority to enlisted families. The purpose of this section of the MSP is to simply outline the potential impacts to the project if unit mix changes do occur. The partnership anticipates an increase in demand for the enlisted housing neighborhoods of Woodlawn and River Villages (both currently 25%+ vacant) as renovations are completed. Assuming this holds true, then the current Short Term plan and unit mix will remain appropriate. However if demand does shift over time per the 2007 HMA guidelines, the partnership will assess and make rank designation changes as needed to ensure the demand for enlisted and officer homes is being met. The partnership will assess housing demand every six (6) months, or as needed.

HMA Allocation Changes - 2001 v. 2007

	HMA		
	<u>2001</u>	<u>2007</u>	<u>Difference</u>
Officer	16%	43%	27%
Enlisted	<u>84%</u>	<u>57%</u>	-27%
Total	100%	100%	

While the change in the total unit count was not material (an additional 36 homes), the change in the unit mix of officer to enlisted homes was significant. The 2007 HMA calls for a 27% increase in officer housing. The CDMP plan targeted 16% officer homes (including warrant officers) and 84% enlisted homes. (b) (4)

Unit Mix
Short Term Plan

Officer	20%
Enlisted	<u>80%</u>
Total	100%

The MSP includes the revised unit mix plan (Short Term) based on the current demographics, designations by housing area and change in development plans since the CDMP. This remains the unit mix plan until such time demand changes. If the 2007 HMA were fully implemented in the Out Years, a Long Term plan is shown as to what the unit mix would be. Any material change to the Short Term plan would only be implemented after assessment by the partnership. Please refer to the Development Plan section for further detail on the rank-mix designations.

If the partnership adjusts the unit mix to accommodate a decrease in enlisted demand and increase in officer demand, the change is projected to be accretive to both the IDP and out year projected sources and uses. If the long term demand were to adjust to the 2007 HMA report, (b) (4)

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(b) (4). It is important to note that the MSP pro forma assumes occupancy will stabilize at 92% with the MSP plan and assumes a mix of 80% enlisted and 20% officer families (slightly fewer officers than the below October 2008 rent roll). (b) (4)

The below data reflects the existing rent roll and occupancy as of October 2008 (date of Unit Mix Draft Concept Paper). Although 84% of the units are available for enlisted families per the CDMP, occupancy in those homes is currently less than that in officer homes – hence the current percentage of officer to enlisted families exceeds the current CDMP Plan. Note that if the unit mix were adjusted to the 2007 HMA, occupancy is projected to increase to 95% for sensitivity analysis.

Data From
October 7, 2008

Rent Roll
(b) (4)

CDMP Plan

2007 HMA

The above chart shows the potential change in NOI based on the current rent roll and the full change to 43% officer families. It is worth noting that the current breakdown is higher than the 16% CDMP target for officer families - primarily due to 99% occupancy in the officer villages and lower occupancy in the

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enlisted villages. (b) (4)

FBRC has also performed analysis on the long term impact of this potential long term change. Below is a snapshot of the projected operating cash flow and NOI with the guidelines of the 2007 HMA. This chart reflects the potential gradual change in the officer and enlisted unit mix.

Belvoir --- Flow of Funds Post IDP
Sensitivity Worksheet - MSP with 2007 HMA

(b) (4)

The 2007 HMA unit mix guidelines have a material impact on the total potential sources of funds over the remainder of the Ground Lease. (b) (4)

Unit Mix IDP-Out Year Potential Impact

	CDMP Plan	2007 HMA	Variance
% Enlisted	84%	57%	-27%
% Officers	16%	43%	27%
Total Occupancy	92%	92%	0%

(b) (4)

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The MSP pro forma and financial projections will remain conservative for the IDP and Out Years. The revised project pro forma will assume 8% vacancy on a 2,106-home portfolio (per HMA) and an escalated weighted average BAH based on 2009 budget figures with 2.0% growth in 2010-2053. The pro forma assumes a unit mix of 80% enlisted and 20% officers per the current demographics. If the demographics change and the partnership does not alter the unit mix, there is the likelihood of vacancy exceeding 8%. Therefore the partnership will assess current demands every six (6) months, or as needed, to ensure the unit mix meets the demand. If the unit mix changes over time and if occupancy increases, FBRC will then have the ability to reforecast Out Year cash flows and potential capital improvement, renovation and/or new construction projects.

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2. *Projected Financial Pro Forma*

Please see the updated MSP pro forma for detailed analysis on the operating budget, development budget, cash flow summaries for both the IDP and Out Years (Exhibit 1). Key assumptions for the pro forma are listed below:

Key Assumptions	MSP
BAH Growth	2.0%
OPEX Growth	2.5%
Blended Interest Rate on Investments	0.4%
Annual Construction Escalation Factor	3.0%
Stabilized Units Online	2,106
Stabilized Units Occupied	1,938
Stabilized Occupancy	92%
Enlisted Inventory	80%
Officer Inventory	20%

3. *Debt Competition Analysis*

N/A

4. *Lockbox Accounts*

N/A

5. *Fees and Equity*

(b) (4)

6. *Government Investment*

N/A

7. *Investment Strategy*

(b) (4)

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LEGAL AND GOVERNANCE PLAN

1. Summary of Changes

The MSP must be approved by the Department of the Army and the Bondholder Representative. It is anticipated that the Managing Member (Clark Pinnacle Belvoir LLC), the Army, and the Bondholder Representative will execute an omnibus agreement and consent adopting the approved MSP.

No changes are proposed for the legal and governance structure other than adjustments to the Ground Lease to accommodate the proposed land actions (to be handled separately from this MSP Major Decision). Parcel K (Snow Loop) would remain in the Ground Lease for the duration of the partnership (through 2053). Additional land parcels may be conveyed to provide Out Year development parcels and swing space. Adjustments to the Ground Lease will be made for additional land parcels upon completion of the Report of Availability by the Installation and Major Decision approval by OASA I&E. Consent from the Bondholder Representative would be required as well.

2. Major Decisions

To date, the Project has executed two approved Major Decisions, both of which occurred in 2008: 1) (b) (4); and, 2) Amendment to the Ground Lease to alter Jadwin Loop Village lease lines.

3. Tax Implications

There are no significant tax changes associated with this MSP action.

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PROPERTY MANAGEMENT OPERATIONS PLAN

1. *Property Management Overview*

There are no anticipated changes to the Property Management Plan or Resident Services associated with the MSP.

2. *Operations Plan Overview*

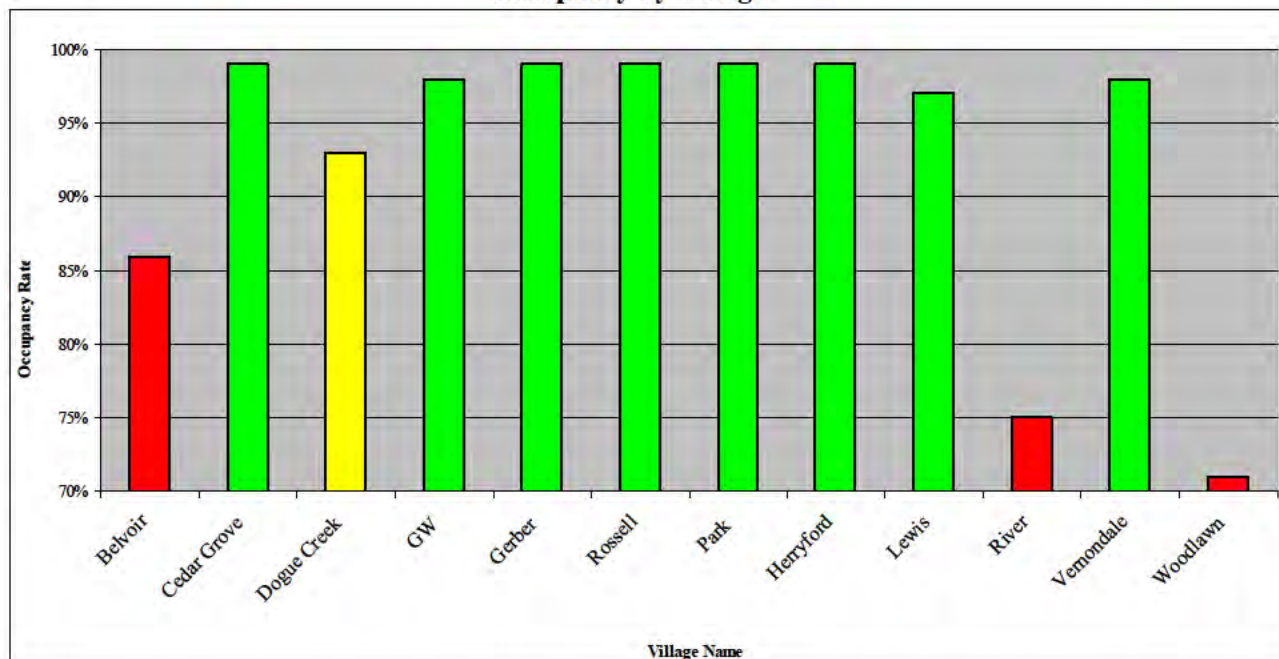
The most significant operations challenge has been vacancy in the older, un-renovated homes. The MSP will help address this challenge by repositioning Woodlawn and River Villages. The below chart reflects the existing occupancy by type of home as of 16 April 2009. The current unit count exceeds the 2,106 homes in the HMA due to swing space needs during the IDP.

Occupancy Report Summary

	OLD	HISTORIC	NEW	TOTAL
Occupied	690	87	1,142	1,919
Available	881	94	1,149	2,124
% Inventory	41%	4%	54%	100%
Occupancy (%)	78.3%	92.6%	99.4%	90.3%

*Occupancy if units capped at 2,070: 92.7%

Occupancy by Village



The above occupancy graphic (as of 31 December 2009) shows that River Village (currently at 74% occupancy) and Woodlawn Village (70% overall occupancy: 2-bedroom occupancy 56%, 4-bedroom occupancy 81%) significantly lag the rest of the Fort Belvoir portfolio. All new or redeveloped villages are well above 95% occupancy. Dogue Creek (previously renovated by the Army and planned as a "no

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touch” phase in the IDP) has stabilized just above 90% occupancy. Belvoir Village is an outlier due to a current waitlist of over 30 O6+ families but reflects a housing assignment challenge between FBRC and DAS with the 28 GFOQ homes (prolonged vacancy).

Current Enlisted vs. Officer Occupancy

	Enlisted	Officer	TOTAL
Occupied	1,581	307	1,888
Available	1,806	318	2,124
% Inventory	85%	15%	
Occupancy (%)	87.5%	96.5%	

The above chart reflects the excess supply of enlisted homes and high demand for officer homes. While the enlisted villages of Woodlawn and River have not yet been renovated, these neighborhoods were well above 90% occupancy less than 4 years ago.

The MSP will reposition Woodlawn and River Villages to improve the quality of housing and make these neighborhoods more marketable for the long term. The adjustment in the unit mix will enable the property manager to meet the consistent demand for officer housing while continuing to maintain an adequate supply of new, quality enlisted homes.

Presented below is a comparison of actual operating expenses incurred in 2008 compared to the expenses for 2008 as originally budgeted in the refinance pro forma

(b) (4)

Customer satisfaction has been a challenge that the partnership has been collectively working to improve upon since the start of the IDP. Efforts to increase satisfaction include:

- Decentralized management offices versus a single centralized office increased the quantity of management personnel so that each individual neighborhood has a management office whose staff can provide more customized and personalized services to neighborhood residents.

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- Increase in organized social events and community parties that occur on a frequent basis throughout each year. These events help increase a sense of community, retain residents and attract families to Fort Belvoir.

Potential Unit Mix Changes

Per the Development Plan section, the 2007 HMA guidelines reflect an anticipated change to the demand breakdown of enlisted to officer homes. The property manager will notify the partnership of high vacancy neighborhoods (with corresponding rank bands) and wait lists. The property manager will recommend adjustments to the unit mix to the partnership as needed over time. The property manager will continue to be responsible for assignment of housing.

3. *Maintenance Plan*

(b) (4) These funds, in addition to the capital reserves that are set aside each month from operating funds, were expected to last throughout the IDP (30 November 2011). However, these funds were recently exhausted in 2008 primarily through deferred maintenance inherited pre-RCI, roof repairs and replacements, infrastructure repairs, appliance, carpet, replacement, vinyl replacement and home-upgrade leasing specials. As part of the MSP budget, (b) (4) which is expected to provide adequate funding for anticipated and unanticipated capital repairs throughout the remainder of the IDP. Please refer to the Financial Plan section for further information on projected sources and uses.

The property manager has long term logistical and quality of service concerns regarding the availability and stability of a centralized maintenance storage facility and office. The purpose of the buildings is to store items needed for maintenance (appliances, HVAC units, transformers, excess cabinets, flooring, etc.) which are too large to fit in the Neighborhood Center maintenance space. The Army provided several buildings at closing via ancillary leases to satisfy this storage need. However changing requirements at the Installation have resulted in the property manager retaining only one building with the lease likely expiring prior to the end of the IDP. This concern could be solved through one of the additional land parcels proposed in the MSP. If the Installation approved a parcel for the Ground Lease, then FBRC would assess the costs to build a maintenance facility and budget this capital expense appropriately. In the interim, the property manager will continue to operate where the Installation has provided short term space.

4. *Resident Services Charges*

Pinnacle does anticipate any major changes in the level or type of services provided to residents. Staffing levels will continue to be evaluated to ensure the Project is providing the best value to its residents.

The project continues to roll out the Resident Responsibility Utility Program to new and renovated homes. Over 1,000 homes receive "live" bills monthly. As FBRC progresses through the IDP and MSP scope, the additional new and renovated homes will be incorporated into the utility billing program.

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Exhibit 1 – Closing Christmas Tree Chart

Development Plan – Years 1-50

Housing Area	Existing
Belvoir Village	61
Colyer Village	92
Dogue Creek Village	270
Fairfax Village	148
G.W. Village	244
Gerber Village	76
Jadwin Loop	45
Lewis Heights	428
New South Village	0
Park Village	14
River Village	188
Rossell Loop	60
Woodlawn Village	444
# Homes	2,070

(b) (4)

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Exhibit 2 – MSP Pro Forma

FORT BELVOIR - CONSOLIDATED MSP PRO FORMA

21-May-09

(b) (4)

Additional backup information from the MSP Pro Forma is included in the following pages.

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(b) (4)



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(b) (4)



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(b) (4)



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**FORT BELVOIR - CONSOLIDATED
Development Budget**

(b) (4)



MODIFIED SCOPE PLAN
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FORT BELVOIR
Annual Income Statement

(b) (4)



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FORT BELVOIR
RESIDENTIAL COMMUNITIES LLC

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MODIFIED SCOPE PLAN

FORT BENNING FAMILY COMMUNITIES

10 April 2009

FIRST DRAFT



MODIFIED SCOPE PLAN

April 2009

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EXECUTIVE OVERVIEW

The purpose of this document is to describe the Modified Scope Plan (MSP) for the Fort Benning Residential Communities Initiative Project. The document follows the outline provided by the RCI PAM handbook Version 3.0, 8 June 2007, for Modified Scope Plans.

Background:

In January 2006, the United States of America, through the Secretary of the Army, entered into an Operating Agreement with Clark Pinnacle Benning LLC to form Fort Benning Family Communities, LLC (FBFC). FBFC was formed for the purpose of redeveloping and managing all the military family housing assets supporting Army families assigned to Fort Benning. The closing development plan called for FBFC to construct 2,377 new homes, provide 272 historic home renovations, and renovate 1,290 non-historic houses during a 10-year initial development period (IDP) that is scheduled to end in December 2015. The (b) (4) development plan (b) (4)

Since the start of the Project, FBFC has completed 981 new houses and 200 historic renovations (the Project is more than 5 months ahead of schedule), and currently has 418 new houses under construction (all scheduled to be completed no later than December 2010). Beyond the existing houses under construction, FBFC projects it will not be able to deliver the original scope of the Project due to a (b) (4) funding variance driven by several factors:

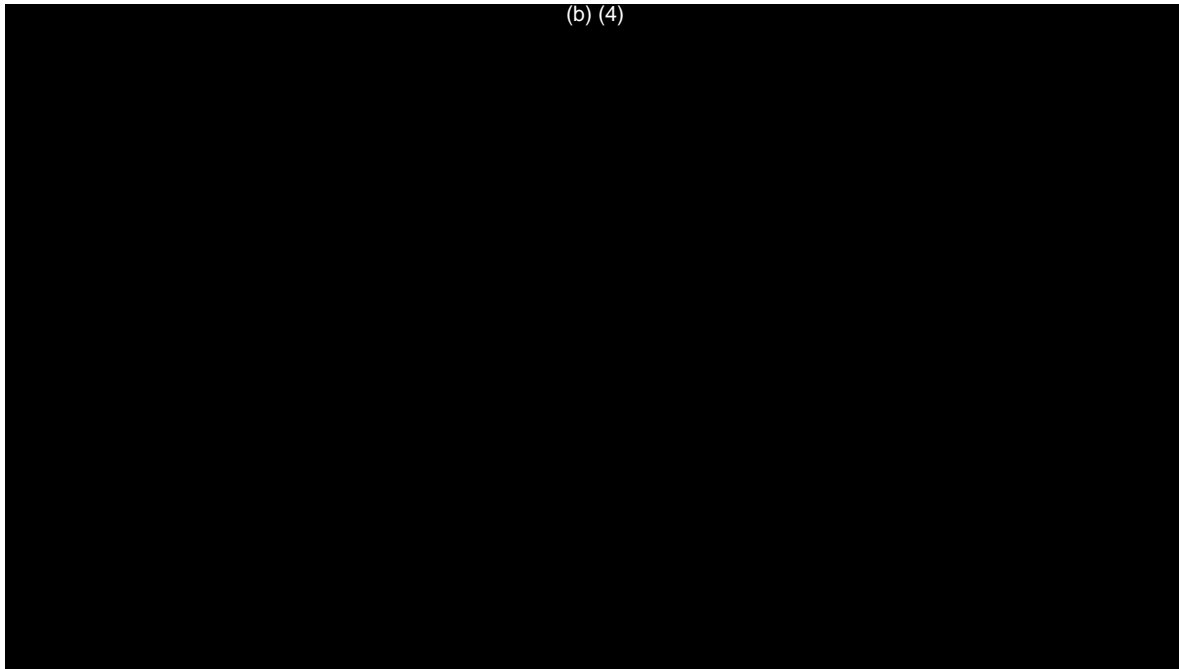
- Occupancy has lagged pro forma assumptions, leading to a projected (b) (4) variance (of this variance, \$ (b) (4) is due to lower BAH growth than anticipated). Key assumptions are that BAH and Expenses will grow at (b) (4) and (b) (4) per annum, respectively, and occupancy will reach a stabilized (b) (4) units (b) (4) of the 2003 HMA on-Post requirement);
- Operating Expenses are higher than pro forma, mostly driven by unit turn costs, leading to a projected (b) (4) variance;
- Interest Earnings, as a result of (b) (4) and subsequent termination of (b) (4), leading to a projected (b) (4) variance assuming a future investment yield of (b) (4) and,
- Supportable Debt, based on re-forecasted operating income, leading to a \$ (b) (4) (b) (4)

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Closing and MSP Sources and Uses Table:

(b) (4)



Modified Scope Plan Concept:

To address the current and projected sources and uses variance, FBFC used the following planning concepts to construct the MSP: 1) renovate in lieu of new construction; 2) spread remaining capital over remaining renovation units; 3) complete the initial development period (IDP) no later than the original date of 31 December 2015; and, 4) address the new 2008 Housing Market Analysis (HMA) rank mix.

This MSP focuses on the changes between the Closing and MSP development programs. To highlight the single largest change, the MSP will renovate 990 existing units in lieu of new construction:

	<u>CDMP</u>	<u>Re-Scope</u>	<u>Delta</u>
New units	2,377	1,399	-978
Renovations	1,562	2,552	990
"No touch"	261	261	0
Total	4,200	4,212	12

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MSP IDP Schedule, the “Christmas Tree Chart”:

The following schedule reflects both work completed (or committed / in progress) and work associated with the MSP.

(b) (4)



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The following chart depicts the committed work, future MSP work, and associated hard costs:

		Complete or Committed		MSP Scope to Finish	
Neighborhood	Type of Construction	# of Units	Cost	# of Units	Cost
McGraw Village	New	591	(b) (4)		
Patton Village	New	664			
Porter Village	New	37			
Upatoi Village	New	107			
East Main Post	Historic Reno	272			
Welcome Center	New				
Custer Village Center	New				
General Officer Quarters	New			2	(b) (4)
Indianhead Village	Reno			420	
Perkins Village	Reno			172	
Norton Village	Reno			112	
Custer Village	Reno			866	
Davis Bouton Village	Reno			710	
Village Center Amenities	New			2	
TOTAL		1671		2282	

Legal and Governance:

The MSP must be approved by the Department of the Army and Bondholder Representative. It is anticipated that the Managing Member (Clark Pinnacle Benning, LLC), the Army, and the Bondholder Representative will execute an omnibus agreement and consent adopting the approved MSP.

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DEVELOPMENT PLAN*1. Development Overview*

The Fort Benning closing development plan consisted of the following scope: construction of 2,377 new homes; renovation of 272 historic homes; renovation of 1,290 non-historic homes; and 261 “no touch units” (units that were recently renovated by the Army and required no work). The total ending inventory of 4,200 homes was consistent with the requirement defined in the Housing Market Analysis completed by the Army in November 2003.

This MSP proposes to renovate, in lieu of new construction, 990 units. The following table depicts the end-state number of units by neighborhood (blue-shaded areas depict scope of work that is either complete or in-progress):

MSP: Changes to the Closing Plan						
Neighborhood	Closing Plan		MSP Changes		Total Project Endstate	
	New	Reno	New	Reno	New	Reno
Patton	777		(113)		664	
McGraw	608		(17)		591	
Upatoi	131		(24)		107	
Porter	37		0		37	
Historics		272		0		272
Custer	824		(824)	866		866
Perkins		172		0		172
Davis		370		0		370
Bouton		340		0		340
Indianhead		296		124		420
Norton		112		0		112
No Touch*		261		0		261
Total	2,377	1,823	-978	990	1,399	2,813

*40 Porter Village and 221 Fort Benning historic units were renovated before closing

As the above table indicates, the single largest change between the closing development program and the MSP is with the Custer neighborhood. This neighborhood, originally projected to have a demo and replacement scope, will become a renovated neighborhood.

Construction Timing and Implementation:

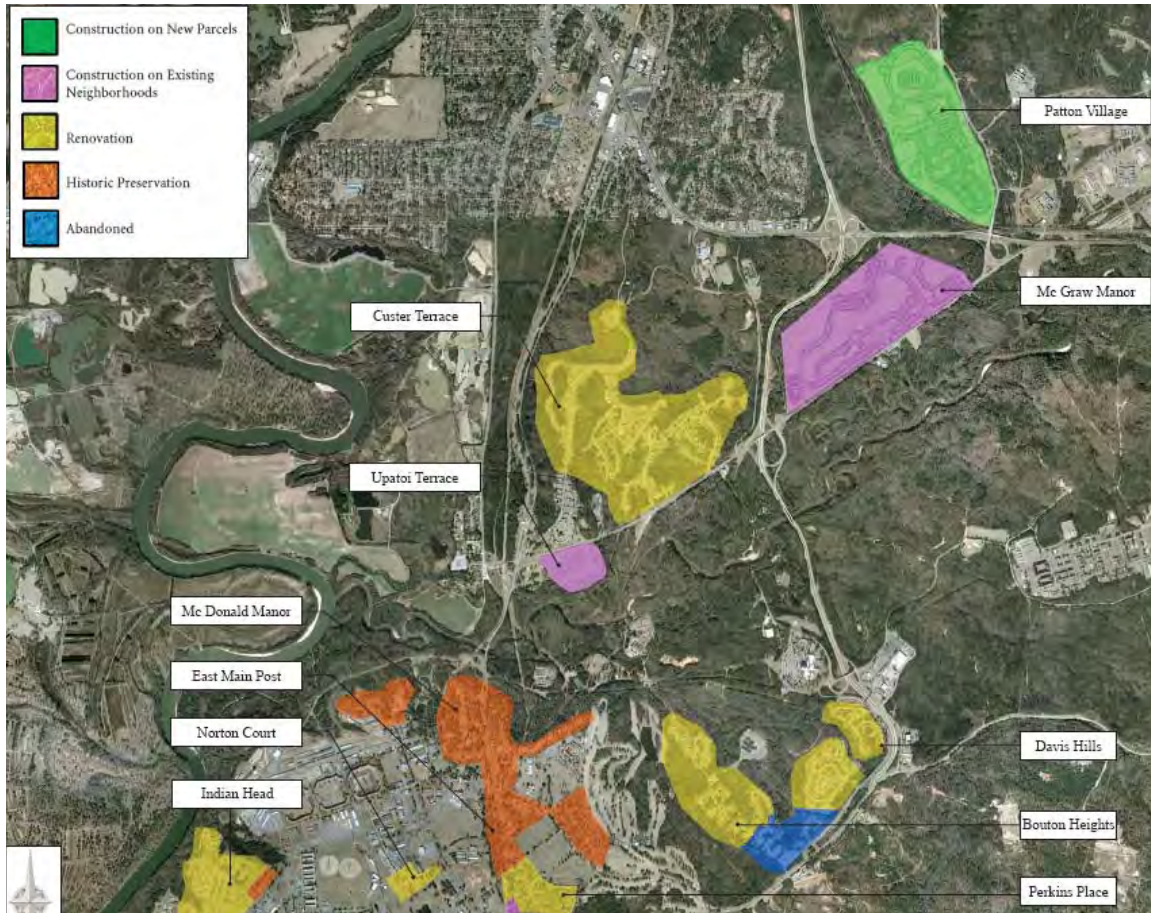
The overall MSP construction timeline will be consistent with the closing timeline to achieve substantial completion on or before December 2015 (a ten-year IDP). Consistent with the original treatment of the renovation scope, (b) (4)

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2. *Master Planning*

The end-state family housing at Fort Benning will consist of a mixture of new houses, renovated houses, and historic houses. The following map highlights each of Fort Benning's neighborhoods and their respective end-state development scope:



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HMA:

In 2008, the Army updated the Family Housing Market Analysis for Fort Benning. The new HMA indicates a change to both the end-state number of houses as well as the required rank-mix. The following charts depicts the 2008 HMA on-Post requirements by rank and bedroom:

2008 FINAL HMA	2Br	3Br	4Br	Total
O7			4	4
O6			39	39
O5		51		51
O4		106	6	112
O3	59	136	65	260
O2	29	41	21	91
O1	6	11	10	27
Total Officer	94	345	145	584
W5		1		1
W4		5	1	6
W3		11	19	30
W2	3	8	7	18
W1	3	7	7	17
Total Warrants	6	32	34	72
E9		18	8	26
E8		34	81	115
E7		183	395	578
E6	157	162	552	871
E5	241	146	342	729
E4	422	144	175	741
E3	96	18	18	132
E2	22	4	5	31
E1	18	4	2	24
Enlisted	956	713	1,578	3,247
Total	1,056	1,090	1,757	3,903

2003 FHMA	2Br	3Br	4Br	Total
Total	1,468	1,388	1,344	4,200
Officers	170	240	120	530
O6+	0	0	28	28
W4-O5	0	160	38	198
W1-O3	170	80	54	304
Enlisted	1,298	1,148	1,224	3,670
E7-E9	0	264	172	436
E1-E6	1,298	884	1,052	3,234

2008 FHMA	2Br	3Br	4Br	Total
Total	1,072	1,125	1,783	3,980
Officers	101	380	187	668
O6+	0	0	43	43
W4-O5	0	163	11	174
W1-O3	101	217	133	451
Enlisted	971	745	1,596	3,312
E7-E9	0	246	494	740
E1-E6	971	499	1,102	2,572

HMA DELTA	2Br	3Br	4Br	Total
Total	(396)	(263)	439	(220)
Officers	(69)	140	67	138
O6+	0	0	15	15
W4-O5	0	3	(27)	(24)
W1-O3	(69)	137	79	147
Enlisted	(327)	(403)	372	(358)
E7-E9	0	(18)	322	304
E1-E6	(327)	(385)	50	(662)

The MSP addresses the new HMA rank requirements through the following broad neighborhood rank designation schedules:

Patton:	E5 – E8	McGraw:	E5 – E8
Custer:	E1 – E4	Upatoi:	E8 – E9
Davis:	E5 – E8	Bouton:	E1 – E4
Perkins:	O1 – O3	Historics:	O3 – O7
Norton:	O1 – O3	Indianhead:	E1 – E4

More specifically, the property manager will attempt to achieve the following rank bedroom mix, consistent with the 2008 HMA, using the above designation schedule as the rule for assignments:

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TOTAL END STATE INVENTORY (2008 HMA)					
LOCATION	GRADE	2BR	3BR	4BR+	TOTAL
OFFICER:					
East Main Post (Historic)	O7+			4	4
East Main Post (Iron Triangle)	O6		39		39
East Main Post (Iron Triangle)	O5		35		35
East Main Post (Eames / Lump)	O5			16	16
East Main Post (Eames / Lump)	O4			13	13
East Main Post (Rainbow)	O4		33		33
East Main Post (AMS)	O4		66		66
East Main Post (AMS)	W3-5		37		37
East Main Post (AMS)	O3		29		29
East Main Post (White Elephants)	O3		120		120
Perkins	O3		9	102	111
Perkins	O2		11	43	54
Norton Court	O2		37		37
Perkins	O1			7	7
Norton Court	O1		20		20
Norton Court	W1-2		35		35
Total Officer			471	185	656
ENLISTED:					
Upatoi	E9		18	8	26
Upatoi	E8		26	55	81
Patton	E8		8	26	34
Patton	E7		434	144	578
Patton	E6		52		52
McGraw	E6		407	184	591
Davis	E6			228	228
Davis	E5			112	112
MacDonald Manor	E5	83			83
Indianhead Historics	E5		18		18
Indianhead Duplexes	E5			140	140
Custer	E5		376		376
Custer	E4	91			91
Indianhead Towns	E4		57	223	280
Bouton Towns	E4	44	232	94	370
Custer	E3	96	36	-	132
Custer	E2	22	9	-	31
Custer	E1	18	6	-	24
Total Enlisted		354	1,679	1,214	3,247
FORT BENNING total		354	2,150	1,399	3,903
Porter Village, Dahlonge, GA					
Dahlonge (Existing)	E1-E6	15	11	3	29
Dahlonge (Existing)	E7-E9		4	4	8
Dahlonge (Existing)	O1-O3	1		1	2
Dahlonge (Existing)	O4-O5			1	1
Dahlonge (New)	E1-E6		10	5	15
Dahlonge (New)	E7-E9		7	6	13
Dahlonge (New)	O1-O3		3	3	6
Dahlonge (New)	O4-O5			3	3
DAHLONGE Total		16	35	26	77
surplus:					
Custer	surplus	10	206		212
Norton Court	surplus		20		20
Total Surplus		10	226	-	232
PROJECT TOTAL		380	2,411	1,425	4,212

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Challenges:

This Project faces an unresolved noise issue arising from increased firing range use as a result of BRAC (see Exhibit 3 – Proposed BRAC Noise Contours). Specifically, increased activity at Fort Benning's Red Cloud Range threatens to create "Noise Zone 3" contours affecting the Davis and Bouton housing areas. In the worst-case scenario, Fort Benning may deem a significant number of houses in the Davis and Bouton areas not compatible with residential use. Because this situation is evolving and the final decision is not expected until early FY2010, the following pre-conditions must be met before the Project initiates any future development activity in either the Davis or Bouton housing areas:

1. Project has achieved a final and favorable noise resolution in the form of a "green light" from the Fort Benning Garrison Commander and Environmental Management Division; and,
2. Project's Net Operating Income is projected to adequately support the debt capital contemplated for use in the Davis or Bouton neighborhoods.

If either condition 1 or 2 is not met, the scope of work described in this MSP for the Davis and Bouton neighborhoods will not be initiated and the anticipated cost of these phases, (b) (4) as later described in the finance section of this MSP.

3. *Initial Development Plan*

Patton Village:

Closing Scope: Patton Village is a green field development. When new construction is completed, the site was to contain new homes for Junior and Senior Enlisted personnel. The architectural style of the new homes is a mix of Colonial Vernacular and Arts and Crafts. Patton Village has an outdoor pool and Village Center.

Modified Scope: Patton Village will contain 113 fewer new units and will be re-designated as an E5-E8 neighborhood.

McGraw Village:

Closing Scope: McGraw Village contained 952 existing multiplex and duplex housing units, all of which were scheduled for demolition and replacement with new homes for Junior and Senior Enlisted personnel. The architectural style of the new homes is a mix of Colonial Vernacular and Arts and Crafts. McGraw has a Village Center and an outdoor pool.

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Modified Scope: McGraw Village will contain 17 fewer new units and will be re-designated as an E5-E8 neighborhood.

Custer Village:

Closing Scope: Custer Village is the largest in land area of the existing villages. All of its 866 existing single, duplex, and townhome housing units were to be demolished and replaced with new homes for junior enlisted and senior enlisted personnel. Custer Village was planned to have four new neighborhoods, a village center and a renovated outdoor pool. The Village Center and new outdoor pool (the existing pool, originally scheduled for renovation, is beyond repair) are currently in progress and accounted for in the original budget.

Modified Scope: The 866 existing units will be remodeled in accordance with the Detailed Hard Cost Breakdown and the neighborhood will be designated as an E1-E4 neighborhood. Additionally, the existing pool that is beyond repair will be demolished.

Upatoi Village:

Closing Scope: Upatoi Village is a small village that is convenient to Main Post, had 150 existing housing units, all of which were demolished and were scheduled to be replaced with new officer homes. The architectural style of the new homes will be a mix of Colonial Vernacular and Arts and Crafts.

Modified Scope: Upatoi Village will contain 24 fewer new units and will be re-designated as an E8-E9 neighborhood. Additionally, the modified scope will not contain the fireplaces originally programmed for 42 of the new units. This will result in a \$(b) (4) deductive change order from the General Contractor.

Indianhead Village:

Closing Scope: Indianhead Village has 436 existing multiplex and duplex housing units of which 296 units were scheduled for renovation with the remainder scheduled for demolition. The demolition units were a Ground Lease requirement as the underlying land was a “return parcel.” An approved Major Decision reversed this requirement and thus the underlying land and 140 units are now retained by the Project. Indianhead Village’s 18 historic homes (not included in the above unit counts) received renovation to their associated detached garage. Indianhead Village was scheduled to receive one neighborhood center, a swimming pool and playing fields.

Modified Scope: Indianhead Village will remain a renovation neighborhood designated for E1-E4. There will now be 124 additional units renovated—the 140 “Major Decision” units less 16 demolished units to make room for a new Village Center. The Village Center is larger than the originally planned Neighborhood Center since the amenity will service a larger number of homes.

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Bouton Heights / Davis Hill:

Closing Scope: All 710 Bouton Heights and Davis Hill units (duplex and fourplex) units were scheduled for renovation. Additionally, a Village Center and swimming pool were included in the plan.

Modified Scope: All units will continue to be renovated as well as the addition of the Village Center and pool. The neighborhoods will be designated for E1-E4. The renovation scope, per the "Challenges" discussion of the Master Planning Section, is contingent upon: 1) Project achieving a final and favorable noise resolution in the form of a "green light" from the Fort Benning Garrison Commander and Environmental Management Division; and, 2) the Project achieving a projected Net Operating Income that is adequate to support the debt capital contemplated for use in the Davis or Bouton neighborhoods. If both conditions are not met, the associated cost of the work (b) (4)

Perkins Village:

Closing Scope: Perkins Village had 180 duplexes with 8 scheduled to be demolished (to create space for the Welcome Center, pool, and cabana) and the remaining 172 units scheduled for renovation. The neighborhood was designated as an officer and senior enlisted neighborhood. The scheduled Welcome Center and associated amenities have been completed.

Modified Scope: Perkins Village will remain a renovation neighborhood and will be designated for company grade officers only.

Norton Village:

Closing Scope: Norton Village's 112 multiplexes were scheduled for renovation.

Modified Scope: Of the 112 existing units, only 80 will receive work.

Porter Village:

Closing Scope: Porter Village has 40 existing single-family homes, which were constructed in 1996 and require no renovations during the IDP. Porter Village was scheduled to receive 37 additional single-family homes as well as a new swimming pool and cabana.

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Historic Renovations:

Closing Scope: Originally 272 Historic Homes were scheduled to receive renovations that include a new kitchen and first-floor half bath.

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Modified Scope: There will be 270 Historic Homes renovated per the original scope (no change). Per the new HMA requirements, two of the field grade Historic Homes will be converted to General Officer's Quarters per the Detailed Hard Cost Breakdown.

4. *Out-Year Development Plan*

The closing out-year plan included a mixture of new construction in addition to minor, medium, and major renovations during the 40 years following the IDP.

Out-Year Development Plan Funds Available	Closing Pro Forma	MSP
Years 11 - 20	(b) (4)	
Years 21 - 40		
Years 41 - 50		
TOTAL		

The MSP out-year plan will include component replacement, unit renovations, and selective replacement of non-historic housing units with a priority given to the existing homes that received the least renovation dollars during the IDP. Because the cash flows generated by the Project in the out-years are estimated to be (b) (4) than closing pro forma assumptions, FBFC anticipates completing more renovations in lieu of new construction in the out-years. As the end of the IDP approaches, however, FBFC will re-evaluate the out-year redevelopment plan to determine how best to deploy the Community Reinvestment Fund capital.

The MSP out-year redevelopment program is in addition to Pinnacle's Property Management and Capital Repair and Replacement Plans that provide for the replacement of items that have an economic life of less than 10 years as well as complete unit make-ready procedures during change of occupancy.

5. *Construction Plan*

Detailed Hard Cost Breakdown:

The table below indicates details on each unit type to be remodeled per the MSP. The costs indicated in this table are "all-in" and (b) (4)

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Indianhead Terrace Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
W-4	1,017	3	2	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint		(b) (4)	
W-5	1,213	4	3	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	28		
W-6	1,067	3	1.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	42		
W-7	1,239	4	2.5	Town	Demolish to make room for Village Center	(4)		
W-7	1,239	4	2.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	204		
Total						280		
Indianhead Terrace Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
U-3	1,250	3	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	68	(b) (4)	
U-4	1,250	4	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	72		
Total						140		
Perkins Place Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
U-1	1,396	4	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	70	(b) (4)	
U-2	1,396	4	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	82		
W-11	1,323	3	1	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	20		
Total						172		
Custer Village Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
T-1	1,141	3	1	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	224	(b) (4)	
B	957	3	1	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	286		
Total						510		
Custer Village Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
A	856	3	2	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	100	(b) (4)	
C	920	2	1	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	112		
D	1,064	3	1	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	48		
Total						260		
Custer Village Single Family Homes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
F	762	2	1	Single	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	39	(b) (4)	
H	1,218	3	2	Single	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	57		
Total						96		

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Davis Hill Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
DH-1	1,057	2	1	Duplex	Upgrade windows to higher STC Classification	44	(b) (4)	
DH-2	1,436	4	2	Duplex	Upgrade windows to higher STC Classification	34		
DH-3	1,204	4	2	Duplex	Upgrade windows to higher STC Classification	283		
DH-4	1,495	5	2	Duplex	Upgrade windows to higher STC Classification	9		
Total						370		
Bouton Heights Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
Y-1	1,175	3	2.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	32	(b) (4)	
Y-2	1,225	3	2.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	48		
Y-3	1,074	3	1.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	150		
Y-4	1,204	4	2.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	110		
Total						340		
Norton Court Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
W-10	1,078	3	1.5	Town	Replace Boilers with Forced Air Furnaces	80	(b) (4)	
W-12	982	3	1.5	Town	No Work	32		
Total						112		
Eames Single Family Homes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
500	2,851	4	2	Single	Add a half bath and upgrade the units to the appropriate level of finishes for a General Officer	1	(b) (4)	
309	3,126	4	2	Single	Add a half bath and upgrade the units to the appropriate level of finishes for a General Officer			
Total								

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The following chart is the Hard Cost Summary:

Renovation			
Neighborhood	# of Units	Cost Per Unit Avg.	Total
Indianhead Townhomes	280	(b) (4)	(b) (4)
Indianhead Duplex	140		
Perkins Duplex	172		
Custer Duplex	510		
Custer Townhomes	260		
Custer Single Homes	96		
Davis Hill Duplex	370		
Bouton Heights Townhomes	340		
Norton Court Townhomes	80		
GOQ Eames Single Family	2		
Subtotal Renovation	2,250		
Amenities			
Category	# of Units	Cost Per Unit	Total
New Village Center	2	(b) (4)	(b) (4)
Pool	2		
Basketball Court	2		
Playfield	2		
New Tot Lots	2		
Subtotal			
Demolition			
Category	# of Units	Cost Per Unit	Total
Demo for New Village Center	4	(b) (4)	(b) (4)
Demo Custer Swimming Pool	1		
Abatement Allowance			
Subtotal			
(b) (4)		Subtotal	(b) (4)
		Contractor Controlled Ins. Prog.	\$
			\$
		General Conditions	\$
			\$
		Overhead	\$
			\$
		Fee	\$
			\$
		Bonds	\$
			\$
Project Total			\$

Structure of the Construction Agreement:

The original Construction Agreement was structured with (b) (4)
Consistent with this original structure, the MSP renovation budget will be treated as (b) (4)

This phase is scheduled to be complete in the first quarter of FY2010; (b) (4)

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(b) (4)

contemplate any

(b) (4)

The pro forma, Exhibit 4, does not currently benefit as a source of funds.

Neighborhood Infrastructure Strategy:

Indianhead, Perkins, Custer and Bouton: Electricity and telecommunications serving homes in these villages will continue to be provided by privatized overhead infrastructure, owned and maintained by Georgia Power and/or Flint EMC. Water and Sanitary Sewer will continue to be served via a privatized system owned, maintained, and operated by Columbus Water Works. Storm Drain Systems will continue to be owned and maintained by Fort Benning's Directorate of Public Works. Natural Gas infrastructure will be purged, capped and abandoned by the owner of the privatized system, Atmos Gas.

Davis: Electricity and telecommunications serving homes in this village will continue to be provided via privatized underground infrastructure that is owned and maintained by Flint EMC. Water and Sanitary Sewer will continue to be served via a privatized system that is owned, maintained, and operated by Columbus Water Works. Storm Drain Systems will continue to be owned and maintained by Fort Benning's Directorate of Public Works. Natural Gas infrastructure will continue to be operated and maintained by the owner of the privatized system, Atmos Gas.

Norton Village: Electricity and telecommunications serving homes in this village will continue to be provided via privatized overhead infrastructure that is owned by Flint EMC. Water and Sanitary Sewer will continue to be served via a privatized system that is owned, maintained and operated by Columbus Water Works. Storm Drain Systems will continue to be owned and maintained by Fort Benning's Directorate of Public Works. Natural Gas infrastructure will continue to be operated and maintained by the owner of the privatized system, Atmos Gas.

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Development Budget Summary:

	Closing Budget	MSP Budget	Difference
Architecture and Engineering	(b) (4)		
Geotechnical and Utility Consultants			
Environmental Fund			
Development Reimbursables			
Accounting and Tax			
Public Relations & Community Involvement			
Furnishings, Fixtures, and Equipment			
Impact and Utility Fees			
Builder's Risk			
Permits and Inspections			
Moving Expenses			
Development Fees			
Hard Cost Escalation Factor			
Land Acquisition Costs / Allowance for Porter Topo			
Deferred Maintenance (Capital Repair / Replacement)			
Contingency			
Borrower: Legal & Accounting			
Closing Costs			
TOTAL			

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FINANCIAL PLAN

1. *Financial Overview*

The (b) (4) funding variance is largely attributable to significant variances in Net Operating Income and GIC earnings. Additionally, FBFC estimates that (b) (4)

Net Operating Income:

The total Net Operating Income variance (b) (4) is based on actual performance (IDP years 1, 2, and 3) and projected performance (IDP years 4 through 10). The current portion of the variance is (b) (4) (inception to date) with a future portion projected at (b) (4). The three main drivers of the negative operating income variance are occupancy, BAH, and operating expenses:

Occupancy: Lower than expected occupancy since closing has resulted in a current and projected (b) (4) variance. To date, the Project is well behind pro forma occupancy targets, with the single largest contributing factor being the deployment of the 3rd ID. The 3rd ID is scheduled to deploy again in late 2009, meaning the Project could lose approximately 300 families as a direct result of the deployment. Additionally, occupancy at closing (January 2006) was 200 units less than the Army had indicated, causing the Project to start out "in the hole." FBFC assumes that the Project will achieve a stabilized occupancy of (b) (4) units (b) (4) of the 2003 HMA on-Post requirement)

BAH: Fort Benning BAH rates have varied considerably since inception and have an annualized growth rate less than pro forma assumptions. This lower than anticipated BAH growth rate has resulted in a current and projected \$ (b) (4) variance. BAH growth rate assumptions for the MSP are (b) (4) (vs. (b) (4) closing pro forma).

Operating Expenses: The portion of the NOI variance attributable to higher than expected operating expenses is (b) (4). The main driver of the expense variance is unit turns -- both cost and quantity (the cost to turn a unit is higher than originally anticipated and the property manager is performing more turns than originally anticipated). The key assumptions for the projected variance are (b) (4) of units online turned each year and (b) (4) annual expense growth.

GIC Earnings:

Investment agreements with AIG were terminated in September 2008 following the AIG downgrade and all capital previously held by AIG has been returned to FBFC. Funds have been re-invested in the (b) (4)

FBFC continues to look for other higher-yielding re-

MODIFIED SCOPE PLAN

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investment strategies. At the assumed all-in blended rate of approximately (b) (4) the total projected GIC earnings variance is (b) (4) over the IDP (this variance assumes the Project will (b) (4)

Unsupportable Debt:

Given the current assumptions listed above, FBFC anticipates that approximately \$ (b) (4) of its closing debt will be unsupportable once the debt starts to fully amortize in 2016. FBFC has (b) (4) to address its unsupportable debt:

(b) (4)

Updated Sources and Uses:

Sources	Closing Pro Forma	MSP (b) (4)	Variance
Net Operating Income			
Equity			
Debt Funding			
GIC Interest			
Total Sources			

Uses	Closing Pro Forma	MSP (b) (4)	Variance
Development Costs			
Interest Expense			
Fees			
Total Uses			
Surplus / (Deficit)			

The MSP does not contemplate changing the terms of service provider fees, equity contributions, equity returns, or MHPI authorities utilized by the Project.

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2. *Projected Financial Pro Forma*

Please see the updated MSP pro forma for detailed analysis on the operating budget, development budget, and cash flow summaries for both the IDP and ODP (Exhibit 4). Key assumptions for the pro forma are listed below:

Key Assumptions	MSP
BAH Growth	(b) (4)
OPEX Growth	
Blended Interest Rate on Investments	
Annual Escalation Factor	
Stabilized Units Online	
Stabilized Units Occupied	
Stabilized Occupancy	

3. *Debt Competition Analysis*

N/A

4. *Lockbox Accounts*

Currently, the Operating Agreement and Project Financing Documents (b) (4)

[REDACTED]

5. *Fees and Equity*

There is no proposed change to the Service Provider fee structures or the Managing Member equity structure. (b) (4)

[REDACTED]

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6. Government Investment

The Fort Benning Directorate of Public Works (DPW) is requesting funds via DD Form 1391 for the two additional General Officer Quarters and noise abatement associated with the new BRAC noise contours (see "Challenges" of the Master Planning Section). However, it is unlikely any funding will be approved. This MSP assumes the 1391 funding request will be unsuccessful.

7. Investment Strategy

As discussed in the Financial Overview section of this document, the Project currently has (b)(4)

[REDACTED]

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LEGAL AND GOVERNANCE PLAN

1. *Summary of Changes*

The MSP must be approved by the Department of the Army and Bondholder Representative. It is anticipated that the Managing Member (Clark Pinnacle Benning, LLC), the Army, and the Bondholder Representative will execute an omnibus agreement and consent adopting the approved MSP.

The original Construction Agreement indicated that (b) (4) would be (b) (4). Consistent with this original structure, the MSP Renovation Budget is an (b) (4). Although (b) (4) on completed and committed work are anticipated to be (b) (4) the last construction phase under a (b) (4) (b) (4) (and hence (b) (4)) is the Upatoi Village phase. This phase is scheduled to be complete in the first quarter of FY2010; therefore, (b) (4)

he current pro forma does not anticipate (b) (4) as a source of funds.

(b) (4)

There are no proposed changes to the closing legal structure.

2. *Major Decisions*

To date, the Project has executed three approved Major Decisions, all of which occurred in 2008: 1) Sublease to AAFES for Starbucks and Day Spa; 2) Amendment to Ground Lease to retain Indianhead Terrace West parcel; and, 3) Amendment to Asset Management Agreement to clarify the definition of Net Operating Income.

3. *Tax Implications*

There are no significant tax changes associated with this MSP action.

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PROPERTY MANAGEMENT OPERATIONS PLAN

1. *Property Management Overview*

There are no anticipated changes to the Property Management Plan or Resident Services associated with the MSP.

2. *Operations Plan Overview*

The following table compares 2008 actual operating expenses to the 2008 closing pro forma operating expenses.

	Pro Forma		Actual		Difference	
	Total	Per Unit	Total	Per Unit	Total	Per Unit
	2008	2008	2008	2008	2008	2008
Average Units On Line	(b) (4)					
EXPENSES						
Salaries & Personnel						
Administrative Expenses						
Marketing Expense						
Repairs & Maintenance						
Cleaning & Decorating Expense						
Contract Services						
Utilities						
Taxes & Insurance						
Total Base Management Fee						
Total Operating Expenses						

Refer to Exhibit 4 – Pro Forma “Operating Expenses Detail” tab for the detailed monthly budget.

In support of the 2008 HMA and in an attempt to increase Project NOI, the Project has re-designated neighborhoods rank requirements (see Master Planning Section). This action will align the availability of houses with the future requirements of Fort Benning and the Maneuver Center of Excellence (the BRAC action to relocate the Armor School from Fort Knox to Fort Benning). Neighborhood rank re-designation will position the Project to increase the number of E5-E8 families that reside in FBFC housing and effectively increase the average BAH and Project NOI.

Analyzing the HMA and current occupancy data indicates that (b) (4) of eligible E1-E4 Service Members assigned to Fort Benning live in FBFC housing. Conversely, only (b) (4) of eligible E5-E9 Service Members assigned to Fort Benning reside in FBFC housing. Therefore, the greatest untapped market lies within the E5-E9 ranks and the re-designation strategy best positions the Project to capture this market segment.

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3. Maintenance Plan

The Project closed with an (b) (4) Capital Repair and Replacement budget. Pinnacle anticipates that the (b) (4) remaining in this account will be sufficient to cover all Capital Repairs throughout the remainder of the IDP.

4. Resident Services Changes

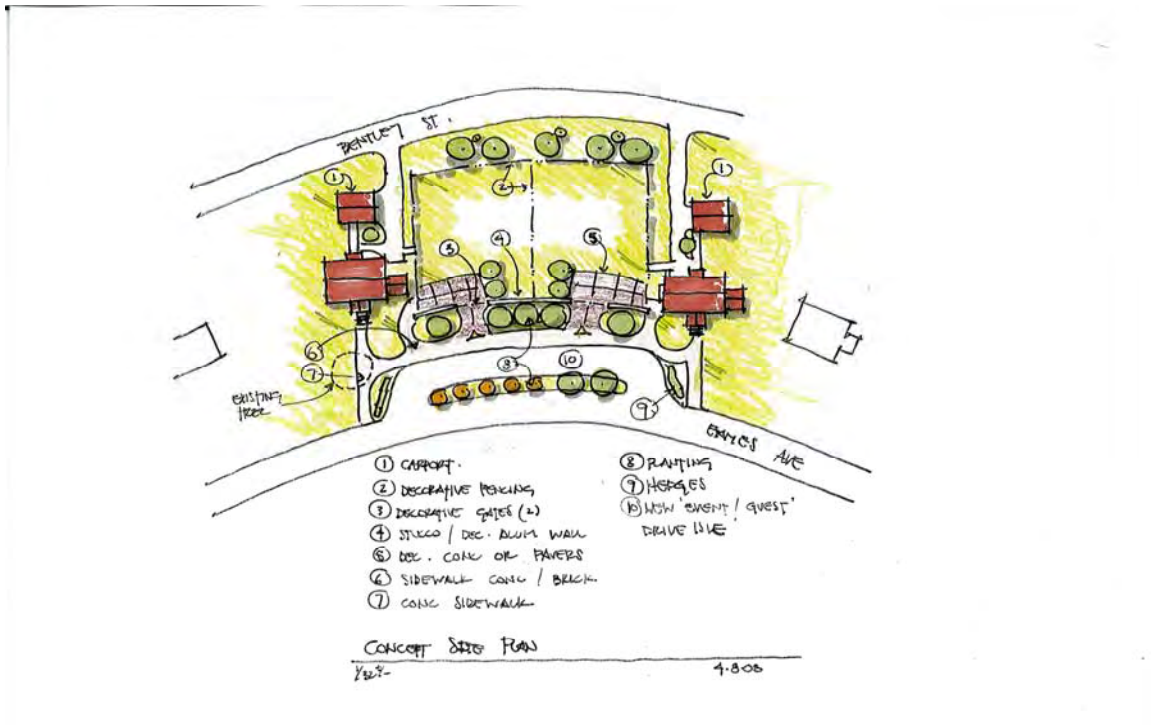
Pinnacle does not anticipate any major changes in the level or type of services provided to residents. Staffing levels will continue to be evaluated to ensure the Project is providing the best value to its residents.

Pinnacle is in exclusive negotiations with a Meter Reading and Billing Provider at this time. The current plan calls for the mock billing of 1,000 new homes to begin in June/July of 2009 and live billing to begin in September/October of 2009. This initial group will be newly constructed homes and as new homes are delivered, they will be immediately added to the program. We will also begin adding renovated homes into the program provided there are enough similar floor plans to provide a statistically relevant baseline. If the number is not statistically relevant, those homes will be mock billed until such time as we have enough units to convert to live billing.

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Exhibit 1 – GOQ Site Plan



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Exhibit 2 – Indianhead Pilot Renovation

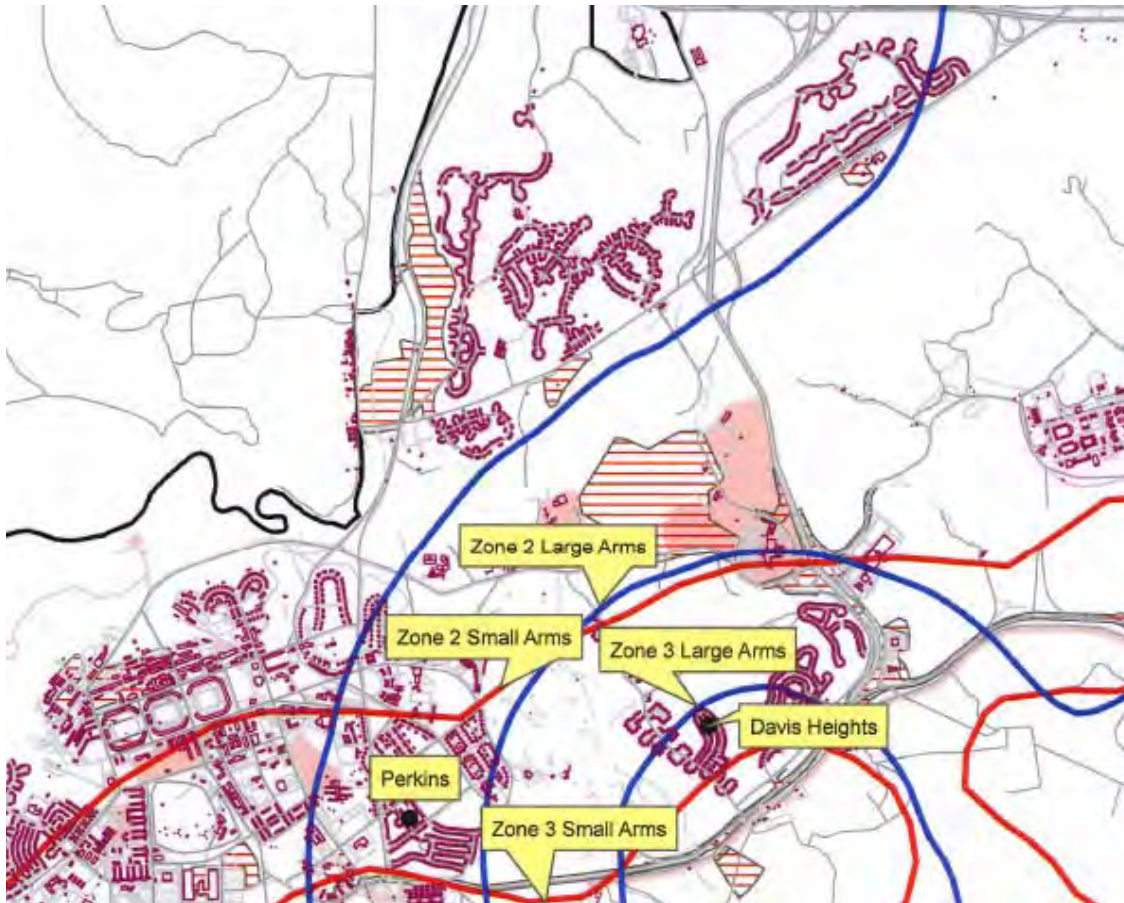
(b) (4)



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Exhibit 3 – Proposed BRAC Noise Contours



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Exhibit 4 – MSP Pro Forma

See attached Excel file.

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Exhibit 5 – Closing Christmas Tree Chart

(b) (4)



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(b) (4)





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FORT BENNING FAMILY COMMUNITIES

22 May 2009

SECOND DRAFT



MODIFIED SCOPE PLAN

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EXECUTIVE OVERVIEW

The purpose of this document is to describe the Modified Scope Plan (MSP) for the Fort Benning Residential Communities Initiative (RCI) Project. The document follows the outline provided by the RCI PAM Handbook Version 3.0, 8 June 2007, for Modified Scope Plans.

Background:

In January 2006, the United States of America, through the Secretary of the Army, entered into an Operating Agreement with Clark Pinnacle Benning LLC to form Fort Benning Family Communities, LLC (FBFC). FBFC was formed for the purpose of redeveloping and managing all the military family housing assets supporting Army families assigned to Fort Benning. The original closing development plan called for FBFC to construct 2,377 new homes, provide 272 historic home renovations, and renovate 1,290 non-historic houses during a 10-year initial development period (IDP) that is scheduled to end in December 2015. The (b)(4) development plan (b)(4)

Since Project inception, FBFC has completed 1,038 new houses and 202 historic renovations (the Project is more than 5 months ahead of schedule), and currently has 361 new houses under construction (all scheduled to be completed no later than December 2010). Beyond the existing houses under construction, FBFC projects that sources will not be sufficient to deliver the original scope of the Project due to a (b)(4) funding variance driven by several factors:

- Occupancy has lagged pro forma assumptions, leading to a projected (b)(4) variance in revenue. Of this variance, (b)(4) is attributed to occupancy variance and (b)(4) is due to BAH variance. Key assumptions for the MSP are that BAH will grow at (b)(4) occupancy will reach a stabilized (b)(4) units (b)(4) of the 2003 HMA on-Post requirement);
- Operating Expenses are higher than pro forma, mostly driven by unit turn costs, leading to a projected (b)(4) variance. For the MSP, operating expenses are expected to grow at (b)(4) per annum;
- Interest Earnings, as a result of AIG's downgrade and subsequent termination of FBFC's investment agreement, are projected to be (b)(4) based on an assumed investment yield of (b)(4) and,
- Supportable Debt, based on re-forecasted operating income that is (b)(4) than the current amount of outstanding debt.

The following table provides a comparison of the closing sources and uses to those of the MSP.

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Closing and MSP Sources and Uses Table:

(b) (4)

Modified Scope Plan Concept:

To address the current and projected sources and uses variance, FBFC used the following planning concepts to construct the MSP: 1) renovate in lieu of new construction; 2) spread remaining capital over remaining renovation units; 3) complete the initial development period (IDP) no later than the original date of 31 December 2015; and, 4) modify the distribution of housing to be consistent with the new 2008 Housing Market Analysis (HMA) rank mix.

This MSP focuses on the changes between the Closing and MSP development programs. The most significant modification is the reduction of new construction by 978 homes and the renovation of 958 additional homes.

	CDMP	Re-Scope	Delta	Completed	Remaining Scope
New units	2,377	1,399	-978	1,038	361
Renovations	1,562	2,520	958	202	2,318
"No touch"	261	293	32		
Total	4,200	4,212	12	1,240	2,679

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MSP IDP Schedule, the “Christmas Tree Chart”:

The following schedule reflects both work completed (or committed / in progress) and work associated with the MSP.

(b) (4)



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The following chart depicts the committed work, future MSP work, and associated hard costs:

		Complete or Committed		MSP Scope to Finish	
Neighborhood	Type of Construction	# of Units	Cost	# of Units	Cost
McGraw Village	New	591	(b) (4)		
Patton Village	New	664			
Porter Village	New	37			
Upatoi Village	New	107			
East Main Post	Historic Reno	272			
Welcome Center	New				
Custer Village Center	New				
General Officer Quarters	Historic Reno			2	(b) (4)
Indianhead Village	Reno			420	
Perkins Village	Reno			172	
Norton Village	Reno			80	
Custer Village	Reno			866	
Davis Bouton Village	Reno			710	
Village Center Amenities	New			2	
TOTAL		1,671		2,250	

Legal and Governance:

The MSP must be approved by the Department of the Army and Trimont Real Estate Advisors as the Bondholder Representative. It is anticipated that the Managing Member (Clark Pinnacle Benning, LLC), the Army, and the Bondholder Representative will execute an omnibus agreement and consent adopting the approved MSP.

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DEVELOPMENT PLAN*1. Development Overview*

The Fort Benning closing development plan consisted of the following scope: construction of 2,377 new homes; renovation of 272 historic homes; renovation of 1,290 non-historic homes; and 261 “no touch units” (units that were recently built or renovated by the Army and required no work). The total ending inventory of 4,200 homes was consistent with the requirement defined in the Housing Market Analysis completed by the Army in November 2003.

This MSP proposes to renovate an additional 958 units and construct 978 fewer units. The following table depicts the end-state number of units by neighborhood (blue-shaded areas depict scope of work that is either complete or in-progress):

MSP: Changes to the Closing Plan							
		Closing Plan		MSP Changes		Total Project Endstate	
Neighborhood	New	Reno	New	Reno	New	Reno	
Patton	777		(113)		664		
McGraw	608		(17)		591		
Upatoi	131		(24)		107		
Porter	37		0		37		
Historics		272		0		272	
Custer	824		(824)	866		866	
Perkins		172		0		172	
Davis		370		0		370	
Bouton		340		0		340	
Indianhead		296		124		420	
Norton		112		(32)		80	
Total	2,377	1,562	(978)	958	1,399	2,520	
No Touch*		261		32		293	

*40 Porter Village and 221 Fort Benning historic units were renovated before closing

As the above table indicates, the most significant proposed adjustment to the closing development program is with the Custer neighborhood. The units in this neighborhood, originally projected to be demolished and replacement, will be renovated.

Construction Timing and Implementation:

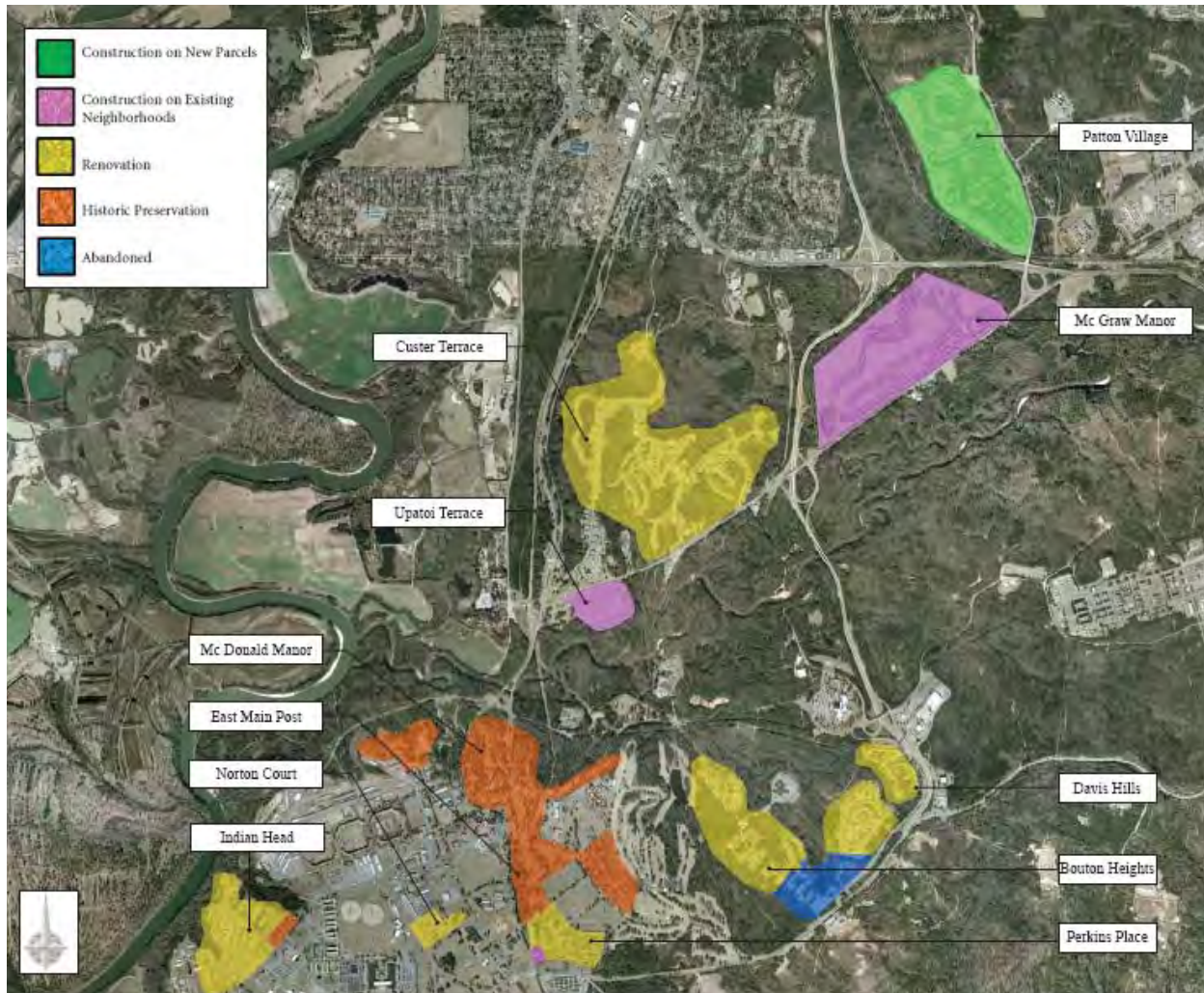
The overall MSP construction timeline will be consistent with the planned ten year IDP at closing to achieve substantial completion on or before December 2015. Consistent with the original treatment of the renovation scope, (b) (4)

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2. *Master Planning*

The end-state family housing at Fort Benning will consist of a mixture of new houses, renovated houses, and historic houses. The following map highlights each of Fort Benning's neighborhoods and their respective end-state development scope:



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HMA:

In 2008, the Army updated the Family Housing Market Analysis for Fort Benning. The new HMA indicates a change to both the end-state number of houses as well as the required rank mix. The following charts depict the 2008 HMA on-Post requirements by rank and bedroom:

2008 FINAL HMA	2Br	3Br	4Br	Total
O7			4	4
O6			39	39
O5		51		51
O4		106	6	112
O3	59	136	65	260
O2	29	41	21	91
O1	6	11	10	27
Total Officer	94	345	145	584
W5		1		1
W4		5	1	6
W3		11	19	30
W2	3	8	7	18
W1	3	7	7	17
Total Warrants	6	32	34	72
E9		18	8	26
E8		34	81	115
E7		183	395	578
E6	157	162	552	871
E5	241	146	342	729
E4	422	144	175	741
E3	96	18	18	132
E2	22	4	5	31
E1	18	4	2	24
Enlisted	956	713	1,578	3,247
Total	1,056	1,090	1,757	3,903

2003 FHMA	2Br	3Br	4Br	Total
Total	1,468	1,388	1,344	4,200
Officers	170	240	120	530
O6+	0	0	28	28
W4-O5	0	160	38	198
W1-O3	170	80	54	304
Enlisted	1,298	1,148	1,224	3,670
E7-E9	0	264	172	436
E1-E6	1,298	884	1,052	3,234

2008 FHMA	2Br	3Br	4Br	Total
Total	1,072	1,125	1,783	3,980
Officers	101	380	187	668
O6+	0	0	43	43
W4-O5	0	163	11	174
W1-O3	101	217	133	451
Enlisted	971	745	1,596	3,312
E7-E9	0	246	494	740
E1-E6	971	499	1,102	2,572

HMA DELTA	2Br	3Br	4Br	Total
Total	(396)	(263)	439	(220)
Officers	(69)	140	67	138
O6+	0	0	15	15
W4-O5	0	3	(27)	(24)
W1-O3	(69)	137	79	147
Enlisted	(327)	(403)	372	(358)
E7-E9	0	(18)	322	304
E1-E6	(327)	(385)	50	(662)

The MSP addresses the new HMA rank requirements through the following broad neighborhood rank designation schedules:

Patton:	E5 – E8	McGraw:	E5 – E8
Custer:	E1 – E4	Upatoi:	E8 – E9
Davis:	E1 – E4	Bouton:	E1 – E4
Perkins:	O1 – O3	Historics:	O3 – O7
Norton:	O1 – O3	Indianhead:	E1 – E4

More specifically, the property manager will attempt to achieve the following rank bedroom mix, consistent with the 2008 HMA, using the above designation schedule as the rule for assignments:

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TOTAL END STATE INVENTORY (2008 HMA)					
LOCATION	GRADE	2BR	3BR	4BR+	TOTAL
OFFICER:					
East Main Post (Historic)	O7+			4	4
East Main Post (Iron Triangle)	O6		39		39
East Main Post (Iron Triangle)	O5		35		35
East Main Post (Eames / Lump)	O5			16	16
East Main Post (Eames / Lump)	O4			13	13
East Main Post (Rainbow)	O4		33		33
East Main Post (AMS)	O4		66		66
East Main Post (AMS)	W3-5		37		37
East Main Post (AMS)	O3		29		29
East Main Post (White Elephants)	O3		120		120
Perkins	O3		9	102	111
Perkins	O2		11	43	54
Norton Court	O2		37		37
Perkins	O1			7	7
Norton Court	O1		20		20
Norton Court	W1-2		35		35
Total Officer			471	185	656
ENLISTED:					
Upatoi	E9		18	8	26
Upatoi	E8		26	55	81
Patton	E8		8	26	34
Patton	E7		434	144	578
Patton	E6		52		52
McGraw	E6		407	184	591
Davis	E6			228	228
Davis	E5			112	112
MacDonald Manor	E5	83			83
Indianhead Historics	E5		18		18
Indianhead Duplexes	E5			140	140
Custer	E5		376		376
Custer	E4	91			91
Indianhead Towns	E4		57	223	280
Bouton Towns	E4	44	232	94	370
Custer	E3	96	36	-	132
Custer	E2	22	9	-	31
Custer	E1	18	6	-	24
Total Enlisted		354	1,679	1,214	3,247
FORT BENNING total		354	2,150	1,399	3,903
Porter Village, Dahlonega, GA					
Dahlonega (Existing)	E1-E6	15	11	3	29
Dahlonega (Existing)	E7-E9		4	4	8
Dahlonega (Existing)	O1-O3	1		1	2
Dahlonega (Existing)	O4-O5			1	1
Dahlonega (New)	E1-E6		10	5	15
Dahlonega (New)	E7-E9		7	6	13
Dahlonega (New)	O1-O3		3	3	6
Dahlonega (New)	O4-O5			3	3
DAHLONEGA Total		16	35	26	77
surplus:					
Custer	surplus	10	206		212
Norton Court	surplus		20		20
Total Surplus		10	226	-	232
PROJECT TOTAL		380	2,411	1,425	4,212

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Challenges:

This Project faces an unresolved noise issue arising from increased firing range use as a result of BRAC (see Exhibit 3 – Proposed BRAC Noise Contours). Specifically, increased activity at Fort Benning's Red Cloud Range threatens to create "Noise Zone 3" contours affecting the Davis and Bouton housing areas. In the worst-case scenario, Fort Benning may deem a significant number of houses in the Davis and Bouton areas incompatible with residential use causing significant financial damage to the Project. Because this situation is evolving and the final decision is not expected until early FY2010, the following pre-conditions must be met before the Project initiates any future development activity in either the Davis or Bouton housing areas:

1. Project has achieved a final and favorable noise resolution in the form of a "green light" from the Fort Benning Garrison Commander and Environmental Management Division; and,
2. Project's Net Operating Income is projected to adequately support the capital requirement contemplated for use in the Davis or Bouton neighborhoods.

If either condition 1 or 2 is not met, the scope of work described in this MSP for the Davis and Bouton neighborhoods will not be initiated and the anticipated cost of these phases, (b) (4) as later described in the finance section of this MSP.

3. *Initial Development Plan*

Patton Village:

Closing Scope: Patton Village is a green field development. At the completion of new construction, the site was to contain new homes for Junior and Senior Enlisted personnel and an outdoor pool and Village Center.

Modified Scope: Patton Village will contain 113 fewer new units and will be re-designated as an E5-E8 neighborhood.

McGraw Village:

Closing Scope: McGraw Village contained 952 existing multiplex and duplex housing units, all of which were scheduled for demolition and replacement with new homes for Junior and Senior Enlisted personnel. McGraw has a Village Center and an outdoor pool.

Modified Scope: McGraw Village will contain 17 fewer new units and will be re-designated as an E5-E8 neighborhood.

Custer Village:

Closing Scope: Custer Village is the largest in land area of the existing villages. All of its 866 existing single, duplex, and townhome housing units were to be demolished and

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replaced with new homes for junior enlisted and senior enlisted personnel. Custer Village was planned to have four new neighborhoods, a Village Center and a renovated outdoor pool. The Village Center and new pool are currently under construction.

Modified Scope: The 866 existing units will be remodeled in accordance with the Detailed Hard Cost Breakdown and the neighborhood will be designated as an E1-E4 neighborhood. Additionally, the existing pool that is beyond repair will be demolished.

Upatoi Village:

Closing Scope: Upatoi Village is a small village that is convenient to Main Post. The existing 150 housing units were scheduled for replacement with 131 new Officer homes.

Modified Scope: Upatoi Village will contain 107 new units and will be re-designated as an E8-E9 neighborhood.

Indianhead Village:

Closing Scope: Indianhead Village has 436 existing multiplex and duplex housing units of which 296 units were scheduled for renovation with the remainder scheduled for demolition. The demolition units were a Ground Lease requirement as the underlying land was to be a "return parcel." An approved Major Decision reversed this requirement and thus the underlying land and 140 units are now retained by the Project. Indianhead Village's 18 historic homes (not included in the above unit counts) received renovation to their associated detached garages. Indianhead Village was scheduled to receive one Neighborhood Center, a swimming pool, and playing fields.

Modified Scope: Indianhead Village will remain a renovation neighborhood designated for E1-E4. There will now be 124 additional units renovated—the 140 "Major Decision" units less 16 demolished units to make room for a new Village Center. The Village Center is larger than the originally planned Neighborhood Center since the amenity will service a larger number of homes.

Bouton Heights / Davis Hill:

Closing Scope: All 710 Bouton Heights and Davis Hill units (duplex and fourplex) were scheduled for renovation. Additionally, a Village Center and swimming pool were included in the plan.

Modified Scope: The neighborhoods will be designated for E1-E4. The renovation scope, per the "Challenges" discussion of the Master Planning Section, is contingent upon: 1) Project achieving a final and favorable noise resolution in the form of a "green light" from the Fort Benning Garrison Commander and Environmental Management Division; and, 2) the Project achieving a projected Net Operating Income that is adequate to support the debt capital contemplated for use in the Davis or Bouton neighborhoods. If both conditions are not met, the associated cost of the work (b) (4)

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Perkins Village:

Closing Scope: Perkins Village had 180 duplexes with 8 scheduled to be demolished (to create space for the Welcome Center, pool, and cabana). The remaining 172 units were scheduled for renovation. The neighborhood was designated as an Officer and Senior Enlisted neighborhood. The scheduled Welcome Center and associated amenities have been completed.

Modified Scope: Perkins Village will remain a renovation neighborhood and will be designated for Company Grade Officers.

Norton Village:

Closing Scope: Norton Village's 112 multiplexes were scheduled for renovation.

Modified Scope: Of the 112 existing units, only 80 will receive work.

Porter Village:

Closing Scope: Porter Village has 40 existing single-family homes, which were constructed in 1996 and require no renovations during the IDP. Porter Village was scheduled to receive 37 additional single-family homes as well as a new swimming pool and cabana.

Modified Scope: No changes are contemplated. The Closing Scope has been completed.

Historic Renovations:

Closing Scope: Originally 272 Historic Homes were scheduled to receive renovations that include a new kitchen and first-floor half bath.

Modified Scope: Per the new HMA requirements, two of the field grade Historic Homes will be converted to General Officer's Quarters in accordance with the Detailed Hard Cost Breakdown. If Fort Benning receives BRAC or GTA funding for this requirement, the funds currently budgeted for the GOQ renovations will be applied to the Custer Village renovation scope.

4. Out-Year Development Plan

The closing out-year plan included a mixture of new construction and minor, medium, and major renovations during the 40 years following the IDP.

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Out-Year Development Plan Funds Available	Closing Pro Forma	MSP
Years 11 - 20	(b) (4)	
Years 21 - 40		
Years 41 - 50		
TOTAL		

The MSP out-year plan will include component replacement, unit renovations, and replacement of non-historic housing units with a priority given to the existing homes that received the least renovation dollars during the IDP. Although the cash flows generated by the Project in the out-years are estimated to be (b) (4) than closing pro forma assumptions, FBFC anticipates that all units receiving renovations during the IDP will be demolished and replaced with new units as part of the out-year development plan. Furthermore, under current assumptions, FBFC also anticipates that all end-state units will either be renovated or demolished and replaced in the out-years. As the end of the IDP approaches, however, FBFC will re-evaluate the out-year redevelopment plan to determine how best to deploy the Community Reinvestment Fund capital.

Below is a 50-year Christmas Tree Chart that details the out-year development plan under the current assumptions:

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(b) (4)



Capital Repair and Replacement Plans that provide for the replacement of items that have an economic life of less than 10 years as well as complete unit make-ready procedures during change of occupancy.

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5. *Construction Plan***Detailed Hard Cost Breakdown:**

The table below indicates details on each unit type to be remodeled per the MSP. The costs indicated in this table are “all-in” and (b) (4)

Indianhead Village Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
W-4	1,017	3	2	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	6	(b) (4)	
W-5	1,213	4	3	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	28	(b) (4)	
W-6	1,067	3	1.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	42	(b) (4)	
W-7	1,239	4	2.5	Town	Demolish to make room for Village Center	(4)	(b) (4)	
W-7	1,239	4	2.5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	204	(b) (4)	
Total						280	(b) (4)	
Indianhead Village Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
U-3	1,250	3	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	68	(b) (4)	
U-4	1,250	4	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	72	(b) (4)	
Total						140	(b) (4)	
Perkins Village Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
U-1	1,396	4	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	70	(b) (4)	
U-2	1,396	4	2	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	82	(b) (4)	
W-11	1,323	3	1	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	20	(b) (4)	
Total						172	(b) (4)	
Custer Village Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
T-1	1,141	3	1	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	224	(b) (4)	
B	957	3	1	Duplex	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	286	(b) (4)	
Total						510	(b) (4)	
Custer Village Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
A	856	3	2	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	100	(b) (4)	
C	920	2	1	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	112	(b) (4)	
D	1,064	3	1	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	48	(b) (4)	
Total						260	(b) (4)	

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Custer Village Single Family Homes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
F	762	2	1	Single	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	39	(b) (4)	
H	1,218	3	2	Single	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	57		
Total						96		
Davis Hill Duplexes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
DH-1	1,057	2	1	Duplex	Upgrade windows to higher STC Classification	44	(b) (4)	
DH-2	1,436	4	2	Duplex	Upgrade windows to higher STC Classification	34		
DH-3	1,204	4	2	Duplex	Upgrade windows to higher STC Classification	283		
DH-4	1,495	5	2	Duplex	Upgrade windows to higher STC Classification	9		
Total						370		
Bouton Heights Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
Y-1	1,175	3	2 5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	32	(b) (4)	
Y-2	1,225	3	2 5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	48		
Y-3	1,074	3	1 5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	150		
Y-4	1,204	4	2 5	Town	HVAC and upgrades as needed for kitchen, bath, electrical, roof, gutters, landscaping, fence, façade, insulation, flooring, appliances and paint	110		
Total						340		
Norton Village Townhomes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
W-10	1,078	3	1 5	Towm	Replace Boilers with Forced Air Furnaces	80	(b) (4)	
W-12	982	3	1 5	Towm	No Work	32		
Total						112		
Eames Single Family Homes								
Unit	Sq Ft	Bdrm	Bthrm	Type	Key Scope Items	# of Units	Cost Per Unit	Total
500	2,851	4	2	Single	Add a half bath and upgrade the units to the appropriate level of finishes for a General Officer	1	(b) (4)	
309	3,126	4	2	Single	Add a half bath and upgrade the units to the appropriate level of finishes for a General Officer	1		
Total						1		

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The following chart is the Hard Cost Summary:

Renovation

Neighborhood	# of Units	Cost Per Unit Avg.	Total
Indianhead Townhomes	280	(b) (4)	
Indianhead Duplex	140		
Perkins Duplex	172		
Custer Duplex	510		
Custer Townhomes	260		
Custer Single Homes	96		
Davis Hill Duplex	370		
Bouton Heights Townhomes	340		
Norton Townhomes	80		
GOQ Eames Single Family	2		
Subtotal Renovation	2,250		

Amenities

Category	# of Units	Cost Per Unit	Total
New Village Center	2	(b) (4)	
Pool	2		
Basketball Court	2		
Playfield	2		
New Tot Lots	2		
Subtotal			

Demolition

Category	# of Units	Cost Per Unit	Total
Demo for New Village Center	4	(b) (4)	
Demo Custer Swimming Pool	1		
Abatement Allowance			
Subtotal			

		Subtotal	\$	(b) (4)
(b) (4)	Contractor Controlled Ins. Prog.	\$		
		\$		
	General Conditions	\$		
		\$		
	Overhead	\$		
		\$		
	Fee	\$		
		\$		
	Bonds	\$		
Project Total			\$	

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Structure of the Construction Agreement:

The original Construction Agreement was structured with (b) (4)
Consistent with this original structure, the MSP renovation budget will be treated
as (b) (4)
This phase is
scheduled to be complete in the first quarter of FY2010; therefore, (b) (4)
Although the pro forma, Exhibit 4, does not currently contemplate any (b) (4)

Neighborhood Infrastructure Strategy:

Indianhead, Perkins, Custer and Bouton: Electricity and telecommunications serving homes in these villages will continue to be provided by privatized overhead infrastructure, owned and maintained by Georgia Power and/or Flint EMC. Water and sanitary sewer will continue to be served via a privatized system owned, maintained, and operated by Columbus Water Works. Storm drain systems will continue to be owned and maintained by Fort Benning's Directorate of Public Works. Natural gas infrastructure will continue to be operated and maintained by the owner of the privatized system, Atmos Gas.

Davis: Electricity and telecommunications serving homes in this village will continue to be provided via privatized underground infrastructure that is owned and maintained by Flint EMC. Water and sanitary sewer will continue to be served via a privatized system that is owned, maintained, and operated by Columbus Water Works. Storm drain systems will continue to be owned and maintained by Fort Benning's Directorate of Public Works. Natural gas infrastructure will continue to be operated and maintained by the owner of the privatized system, Atmos Gas.

Norton Village: Electricity and telecommunications serving homes in this village will continue to be provided via privatized overhead infrastructure that is owned by Flint EMC. Water and sanitary sewer will continue to be served via a privatized system that is owned, maintained and operated by Columbus Water Works. Storm drain systems will continue to be owned and maintained by Fort Benning's Directorate of Public Works. Natural gas infrastructure will continue to be operated and maintained by the owner of the privatized system, Atmos Gas.

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Development Budget Summary:

	Closing Budget	MSP Budget	Difference	Spent to Date	Soft Costs
Architecture and Engineering	(b) (4)				
Geotechnical and Utility Consultants					
Environmental Fund					
Development Reimbursables					
Accounting and Tax					
Public Relations & Community Involvement					
Furnishings, Fixtures, and Equipment					
Impact and Utility Fees					
Builder's Risk					
Permits and Inspections					
Moving Expenses					
Development Fees					
Hard Cost Escalation Factor					
Land Acquisition Costs / Allowance for Porter Topo					
Deferred Maintenance (Capital Repair / Replacement)					
Contingency					
Borrower: Legal & Accounting					
Closing Costs					
TOTAL					

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FINANCIAL PLAN

1. *Financial Overview*

The (b)(4) funding variance is largely attributable to significant variances in Net Operating Income and GIC earnings. Additionally, FBFC estimates that (b)(4)

Net Operating Income:

The total Net Operating Income variance of (b)(4) is based on actual performance (IDP years 1, 2, and 3) and projected performance (IDP years 4 through 10). The current portion of the variance is (b)(4) (inception to date) with a future portion projected at (b)(4). The three main drivers of the negative operating income variance are occupancy, BAH and operating expenses:

Occupancy: Lower than expected occupancy since closing has resulted in a current and projected (b)(4). To date, the Project is well behind pro forma occupancy targets, with the single largest contributing factor being the deployment of the 3rd ID. The 3rd ID is scheduled to deploy again in late 2009, meaning the Project could lose approximately 300 families as a direct result of the deployment. Additionally, occupancy at closing (January 2006) was 200 units less than the Army had indicated, causing the Project to start out "in the hole." While absolute increases in occupancy have exceeded those anticipated in the pro forma, the impact of 200 fewer units occupied has an impact of approximately (b)(4) per year. FBFC assumes that the Project will achieve a stabilized occupancy of (b)(4) units (b)(4) of the 2003 HMA on-Post requirement)

BAH: Fort Benning BAH rates have varied considerably since inception and have an annualized growth rate less than pro forma assumptions. This lower than anticipated BAH growth rate has resulted in a current and projected (b)(4). BAH growth rate assumptions for the MSP are (b)(4) closing pro forma).

Operating Expenses: The portion of the NOI variance attributable to higher than expected operating expenses is (b)(4). The main driver of the expense variance is unit turns -- both cost and quantity (the cost to turn a unit is higher than originally anticipated and the property manager is performing more turns than originally anticipated). The key assumptions for the projected variance are (b)(4) of units online turned each year and (b)(4) annual expense growth.

GIC Earnings:

Investment agreements with AIG were terminated in September 2008 following the AIG downgrade and all capital previously invested with AIG has been returned to FBFC. Funds have been re-invested in the (b)(4)

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(b) (4) FBFC continues to look for other higher-yielding re-investment strategies. At the assumed all-in blended rate of approximately (b) (4), the total projected GIC earnings variance is (b) (4) over the IDP (this variance assumes the Project will (b) (4))

Unsupportable Debt:

Given the current assumptions listed above, FBFC anticipates that approximately (b) (4) of its closing debt will be unsupportable once the debt starts to fully amortize in 2016. FBFC has (b) (4) to address its unsupportable debt:

(b) (4)

Updated Sources and Uses:

Sources	Closing Pro Forma	MSP	Variance
Net Operating Income	(b) (4)		
Equity			
Debt Funding			
GIC Interest			
Total Sources			

Uses	Closing Pro Forma	MSP	Variance
Development Costs	(b) (4)		
Interest Expense			
Fees			
Total Uses			
Surplus / (Deficit)			

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The MSP does not contemplate changing the terms of service provider fees, equity contributions, equity returns, or MHPI authorities utilized by the Project.

2. *Projected Financial Pro Forma*

Please see the updated MSP pro forma for detailed analysis on the operating budget, development budget, and cash flow summaries for both the IDP and ODP (Exhibit 4). Key assumptions for the pro forma are listed below:

Key Assumptions	IDP	ODP
BAH Growth	(b) (4)	
OPEX Growth		
Blended Interest Rate on Investments		
Annual Escalation Factor		
Stabilized Units Online		
Stabilized Units Occupied		
Stabilized Occupancy		

3. *Debt Competition Analysis*

N/A

4. *Lockbox Accounts*

Currently, the Operating Agreement and Project Financing Documents (b) (4)

[REDACTED]

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5. *Fees and Equity*

There is no proposed change to the Service Provider fee structures or the Managing Member equity structure. (b) (4)

6. *Government Investment*

The Fort Benning Directorate of Public Works (DPW) is requesting funds via DD Form 1391 for the two additional General Officer Quarters and noise abatement associated with the new BRAC noise contours (see “Challenges” of the Master Planning Section). However, it is unlikely any funding will be approved. This MSP assumes the 1391 funding request will be unsuccessful.

7. *Investment Strategy*

As discussed in the Financial Overview section of this document, the Project currently has (b) (4)

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LEGAL AND GOVERNANCE PLAN

1. Summary of Changes

The MSP must be approved by the Department of the Army and Trimont, the Bondholder Representative. It is anticipated that the Managing Member (Clark Pinnacle Benning, LLC), the Army, and the Bondholder Representative will execute an omnibus agreement and consent adopting the approved MSP.

The original Construction Agreement indicated that (b) (4) would be (b) (4). Consistent with this original structure, the MSP Renovation Budget is an (b) (4). Although (b) (4) on completed and committed work are anticipated to be (b) (4) the last construction phase (b) (4) (and hence (b) (4)) is the Upatoi Village phase. This phase is scheduled to be complete in the first quarter of FY2010; therefore, (b) (4). The current pro forma does not anticipate (b) (4).

(b) (4)

There are no proposed changes to the closing legal structure.

2. Major Decisions

To date, the Project has executed three approved Major Decisions, all of which occurred in 2008: 1) Sublease to AAFES for Starbucks and Day Spa; 2) Amendment to Ground Lease to retain Indianhead Terrace West parcel; and, 3) Amendment to Asset Management Agreement to clarify the definition of Net Operating Income.

3. Tax Implications

There are no known tax changes associated with this MSP action.

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PROPERTY MANAGEMENT OPERATIONS PLAN*1. Property Management Overview*

There are no anticipated changes to the Property Management Plan or Resident Services associated with the MSP.

2. Operations Plan Overview

The following table compares 2008 actual operating expenses to the 2008 closing pro forma operating expenses.

	Pro Forma		Actual		Difference		2009 Budget		2010 MSP Assumptions	
	Total	Per Unit	Total	Per Unit	Total	Per Unit	Total	Per Unit	Total	Per Unit
	2008	2008	2008	2008	2008	2008	2009	2009	2010	2010
Average Units On Line	(b) (4)									
Effective Gross Income	(b) (4)									
EXPENSES	(b) (4)									
Salaries & Personnel	(b) (4)									
Administrative Expenses	(b) (4)									
Marketing Expense	(b) (4)									
Repairs & Maintenance	(b) (4)									
Cleaning & Decorating Expense	(b) (4)									
Contract Services	(b) (4)									
Utilities	(b) (4)									
Taxes & Insurance	(b) (4)									
Total Base Management Fee	(b) (4)									
Total Operating Expenses	(b) (4)									
Net Operating Income	(b) (4)									

Refer to Exhibit 4 – Pro Forma “Operating Expenses Detail” tab for the detailed monthly budget.

In support of the 2008 HMA and in an attempt to increase Project NOI, the Project has re-designated neighborhoods rank requirements (see Master Planning Section). This action will align the availability of houses with the future requirements of Fort Benning and the Maneuver Center of Excellence (the BRAC action to relocate the Armor School from Fort Knox to Fort Benning). Neighborhood rank re-designation will position the Project to increase the number of E5-E8 families that reside in FBFC housing and effectively increase the average BAH and Project NOI.

Analyzing the HMA and current occupancy data indicates that (b) (4) of eligible E1-E4 Service Members assigned to Fort Benning live in FBFC housing. Conversely, only (b) (4) of eligible E5-E9 Service Members assigned to Fort Benning reside in FBFC housing. Therefore, the greatest untapped market lies within the E5-E9 ranks and the re-designation strategy best positions the Project to capture this market segment.

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3. *Maintenance Plan*

The Project closed with an (b) (4) Capital Repair and Replacement budget. Pinnacle anticipates that the (b) (4) remaining in this account will be sufficient to cover all Capital Repairs throughout the remainder of the IDP.

Capital Repair & Replacement Expenses	Pro forma	Actual	Difference
2006 Expenses	(b) (4)		
2007 Expenses			
2008 Expenses			
2009 YTD Expenses			
TOTAL			

4. *Resident Services Changes*

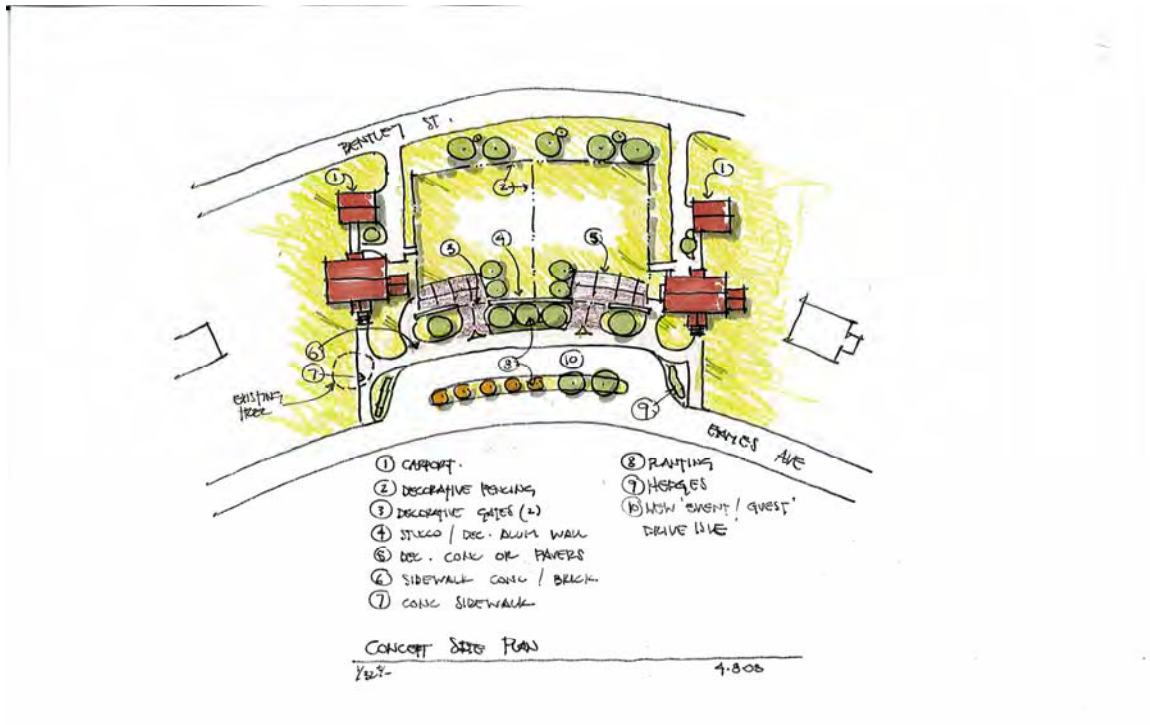
Pinnacle does not anticipate any major changes in the level or type of services provided to residents. Staffing levels will continue to be evaluated to ensure the Project is providing the best value to its residents.

Mock utility billing is scheduled to start in September/October of 2009.

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Exhibit 1 – GOQ Site Plan



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Exhibit 2 – Indianhead Pilot Renovation

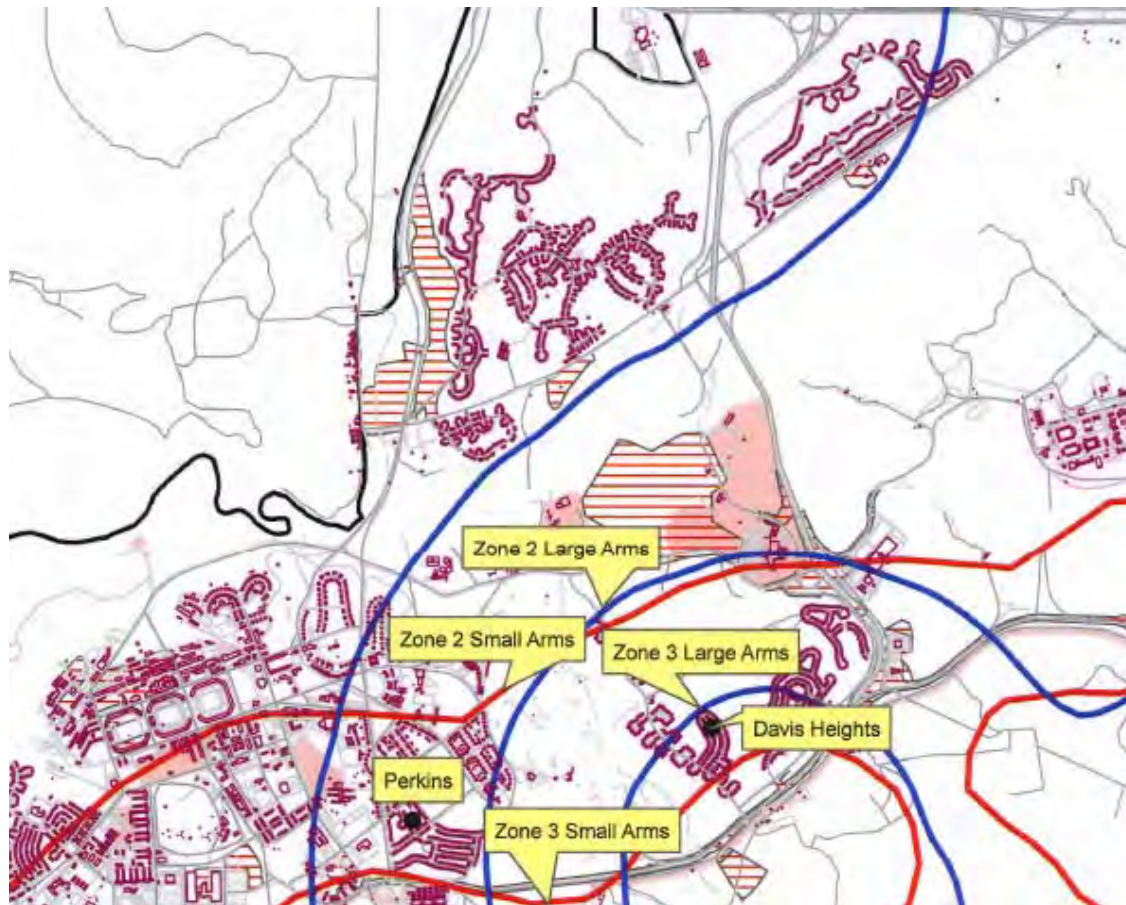
(b) (4)



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Exhibit 3 – Proposed BRAC Noise Contours



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Exhibit 4 – MSP Pro Forma

See attached Excel file.

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Exhibit 5 – Closing Christmas Tree Chart

(b) (4)



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Exhibit 6 – Closing Amenity Charts

(b) (4)



From: Phil Cowley <Phil.Cowley@clarkrealty.com>
Sent: Friday, July 10, 2009 3:29 PM
To: Hunter, Todd B Mr CIV USA ASA IE
Cc: Kristy.Hofkens@am.jll.com
Subject: Benning MSP Draft 3
Attachments: Benning MSP Final Version.pdf; Benning MSP Pro Forma Final Version.xls

Todd:

Please see Benning MSP Draft 3 and associated pro forma (both attached). The most significant change was the addition of Custer Unit Conversions (as discussed) which had the effect of reducing end-state units online from 4,200 to 4,000.

When you have a chance, I'd like to know what the next steps are since we are a little off the original schedule.

I will be in DC the week of 3 August and am available to meet—let me know when and where.

Have a good weekend,

Phil